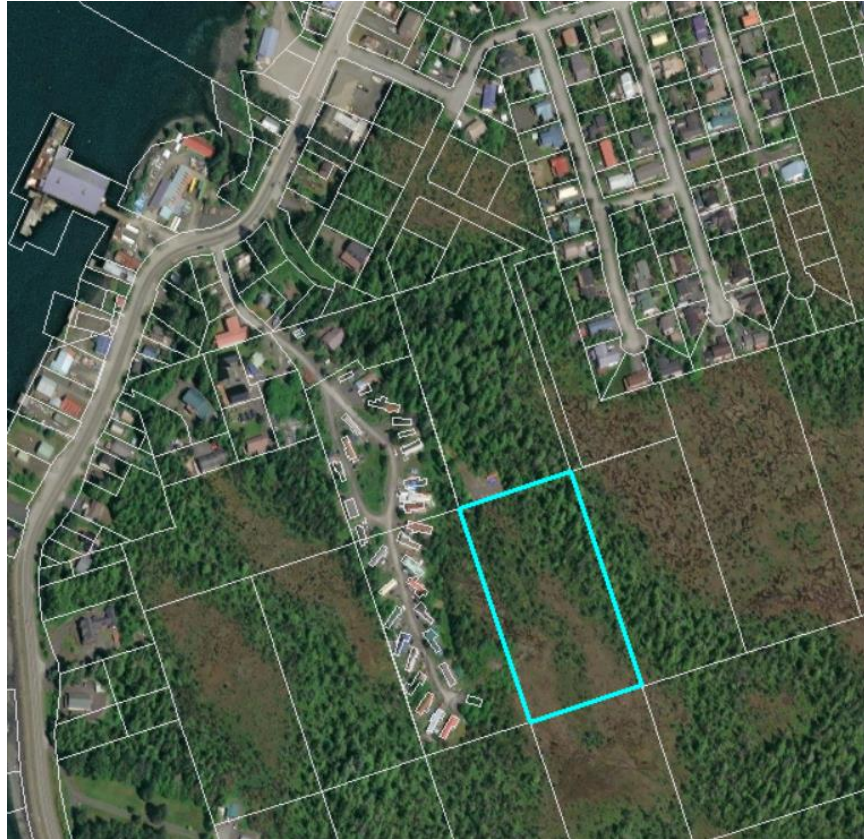


**APPRAISAL REPORT  
REAL ESTATE APPRAISAL**

**Of**  
Gov lot 21



Accessed from an easement off Oden St, Petersburg  
AK, 99833

**As of**  
October 25, 2024

**Prepared For**  
Ms. Debra Thompson  
Petersburg Borough  
12 South Nordic  
Petersburg, AK, 99833

**Prepared by**  
RAMSEY APPRAISAL RESOURCE  
Roger Ramsey, AK-APRG570

**File Name:**  
24-33

## RAMSEY APPRAISAL RESOURCE

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10615 Horizon Drive  
Juneau,  
AK, 99801

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rogerramsey@mac.com

---

November 6, 2024

Ms. Debra Thompson  
Petersburg Borough  
12 South Nordic  
Petersburg, AK 99833

Re: Appraisal Report, Real Estate Appraisal  
Gov lot 21  
Accessed from an easement off Oden St, Petersburg,  
Alaska County, AK, 99833

File Name: 24-33

Dear Ms. Thompson:

At your request, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

The subject is a five-acre vacant, raw, parcel which is currently zoned Open Space Recreational. For this valuation it will be appraised as if it is Single Family Mobile Home, as this change would be a requirement for the current proposed transaction. It is currently located around 1300 feet from developed right of way and utilities, by way of a legal access easement.

Please reference page 10 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis, and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. The appraiser has not performed any services regarding the subject within the three-year period immediately preceding acceptance of this assignment.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 8). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, I note the following:

Hypothetical Conditions:

- Currently the subject is zoned for 'open space recreational' this valuation values the property as if it is zoned 'Single family mobile home'.

Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

**Current As Is Market Value:**

The “As Is” market value of the Fee Simple estate of the property, as of October 25, 2024, is

**Twenty-Six Thousand Five Hundred Dollars (\$26,500)**

The market exposure time preceding October 25, 2024 would have been 6 months and the estimated marketing period as of October 25, 2024 is 6 months.

Respectfully submitted,  
Ramsey Appraisal Resource



Roger Ramsey  
AK-APRG570

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## Summary of Important Facts and Conclusions

**GENERAL**

**Subject:** Gov lot 21  
 Accessed from an easement off Oden St, Petersburg, Alaska County, AK, 99833

The subject is a five-acre vacant, raw, parcel which is currently zoned Open Space Recreational. For this valuation it will be appraised as if it is Single Family Mobile Home, as this change would be a requirement for the current proposed transaction. It is currently located around 1300 feet from developed right of way and utilities, by way of a legal access easement.

**Owner:** Petersburg Borough

**Legal Description:** GL Lot 21

**Date of Report:** November 6, 2024

**Intended Use:** The intended use is for to facilitate a negotiated sale at market value..

**Intended User(s):** The client and prospective buyers.

**Assessment:**

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total Assessment	Tax Rate	Taxes
01010430	\$135,000	\$0	\$135,000	\$10.84	\$1,463
Totals	\$135,000	\$0	\$135,000		\$1,463

Notes:

**Sale History:** The subject has not sold in the last three years, according to public records.

**Current Listing/Contract(s):** The subject is not currently listed for sale, or under contract.

**Land:**

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
GL 21	5.00	217,800			mixed	

Notes:

**Zoning:** Hypothetically, single family mobile home

**Highest and Best Use of the Site:** holding for future subdivision

**Type of Value:** Market Value

VALUE INDICATIONS	
<b>Sales Comparison Approach:</b>	\$26,500

<b>Reconciled Value(s):</b>	<u>As Is</u>
Value Conclusion(s)	\$26,500
Effective Date(s)	October 25, 2024
Property Rights	Fee Simple

*Market value* means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [\[1\]](#)

[\[1\]](#) *Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42*

## Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Ramsey Appraisal Resource . Information, estimates, and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil, or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.



Necessary licenses, permits, consents, legislative or administrative authority from any local, State, or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements, or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Ramsey Appraisal Resource 's regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

#### **Americans with Disabilities Act (ADA) of 1990**

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Ramsey Appraisal Resource has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value; however this has not been considered or analyzed in this appraisal.**

## Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

This appraisal is prepared for Ms. Debra Thompson, Client Petersburg Borough. The problem to be solved is to estimate the current 'As Is' market value for asset management purposes and potential negotiated sale. The intended use is for to facilitate a negotiated sale at market value.. This appraisal is intended for the use of client and prospective buyers.

<b>SCOPE OF WORK</b>	
Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the assessors' parcel number.
Inspection:	On the morning 10/25/2024, which was a clear day with good visibility the appraiser walked the northern and eastern property line and down the southern third of the western line. Photographs were taken from the ground and from the air by drone (remote pilot certificate 4959472).
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions has been made. The appraiser maintains and has access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis.
Highest and Best Use Analysis:	A complete as vacant highest and best use analysis for the subject has been made. Physically possible, legally

permissible, and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Value:

Market Value

Valuation Analyses

Cost Approach:

A cost approach was not applied as The subject is vacant land, and this approach does not apply.

Sales Comparison Approach:

A sales approach was applied as there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

Income Approach:

An income approach was not applied as the subject is not an income producing property and this approach does not reflect market behavior for this property type.

Hypothetical Conditions:

- Currently the subject is zoned for 'open space recreational' this valuation values the property as if it is zoned 'Single family mobile home'.

Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

## Comments

In the process of developing an opinion of value, I looked for sales of vacant land in the Petersburg market which have potential for subdivision, with undeveloped access. I contacted the buyers in these transactions to get sales info about these transactions. In addition to these sales with undeveloped access, I looked for sales of parcels with the highest and best use of Subdivision in the Petersburg larger market, to get further understanding of values.

I reached out to people (Ronn Buschmann and Rick Braun), who have completed the subdivision of numerous lots in the Petersburg market, for their opinions about financial feasibility of the subject lots and details as to how the market reacts to forested lots versus muskeg lots. We spoke of current demand and the outlook for the Petersburg market. I also questioned them about their opinion of current lot values.

I spoke with both local realtors to get both sales data and perspective on the current residential market.

I had Anna Caulum, of the Petersburg finance department send me all the most recent sales from 2024. I added these sales to my GIS map, which I have been making since around 2003. With this map I can identify the sales over an arial photo and target the most appropriate sales to investigate.

I spoke with Bosjun Ried to get information about road and utilities development. He indicated that for the subject location rough numbers for development cost per lineal foot of road was \$750 to \$800 for minor subdivision and \$900 to \$950 for Major. I then questioned him about costs for the Karluk subdivision he is currently developing and the numbers he gave me which I must retain as confidential, roughly reflect his rough cost supplied early.

## Market Area Analysis

To determine the current economic condition of Petersburg, the appraiser spoke with active market participants. I spoke with both active realtors to get their perspective. They both indicated the market for residential real estate is maintaining, with no significant change in the last few years, though there appears to be more interest from out of town buyers. Cost to construct has elevated values for completed homes but raw land values have not seen much movement.

I spoke with Liz Cabrera, who oversees Petersburg's community and economic development. Some of the things she indicated were that the fish processing is in a transitional period with Trident selling to EC Phillips and Sons. EC Phillips who closed on the Trident property in April of 2024, is already up and running and expanded what they process to more variety than Trident. Making for somewhat of a more positive outlook.

The medical center being built is in its first phase and the first phase will cost \$20 million and is being paid for with grant money of which there is currently \$28 million per Liz Cabrera.

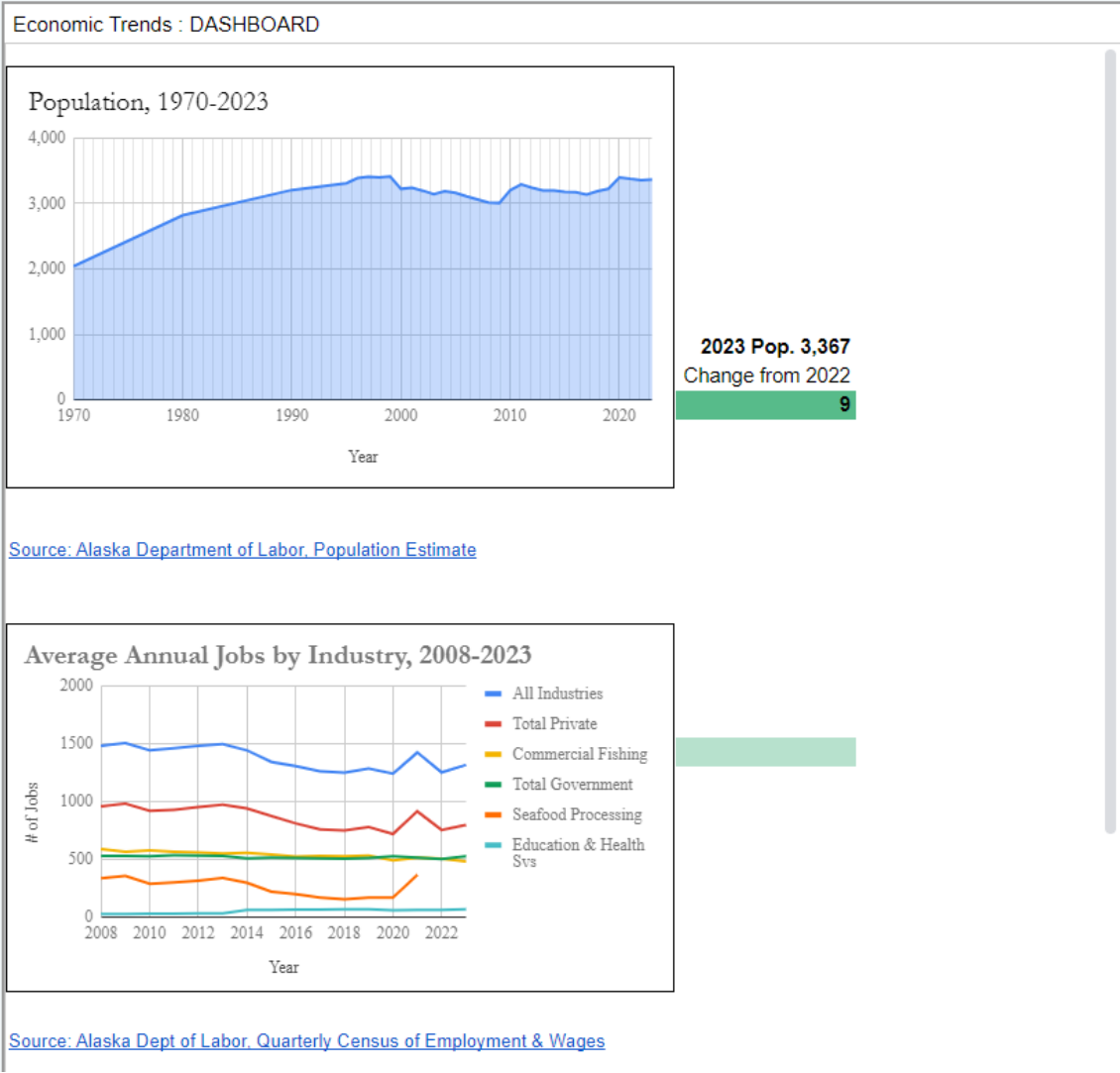
It sounds like Hammer and Wikon are in the process of expanding their warehouse area which is another bigger development.

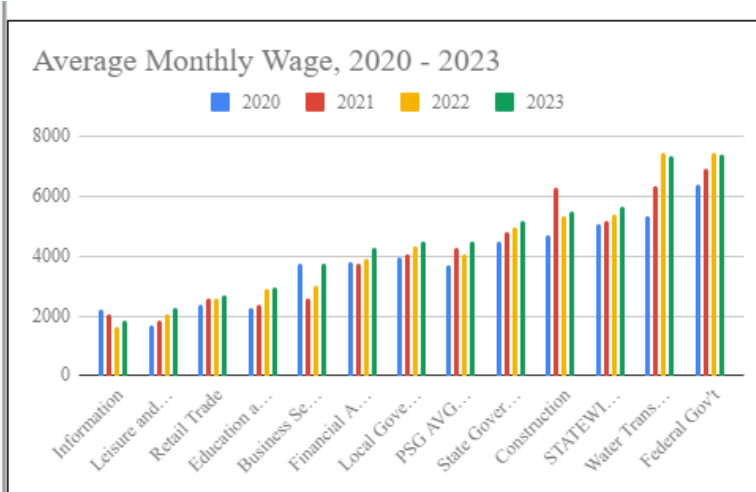
Liz says there are new people moving to the area bringing new perspective that the mostly conservative fishing Norwegian population doesn't possess. This could create demand for things that Petersburg has not had in the past.

Rumors are that the purchaser of the Ocean Beauty plant may use it for a dock for the cruise ships coming to town. This could potentially increase demand for this location and the ripple effects would be more infrastructure for tours and an increase in dollars from tourism.

I spoke with Glorianne Wollen, who is Petersburg's harbor master. She mentioned the Scow Bay Haul out as a project that is eminent. So far according to Liz they have about half the funding for phase 1 which will cost about \$9.5 million.

Following is information is curated by Petersburg Economic Development Council

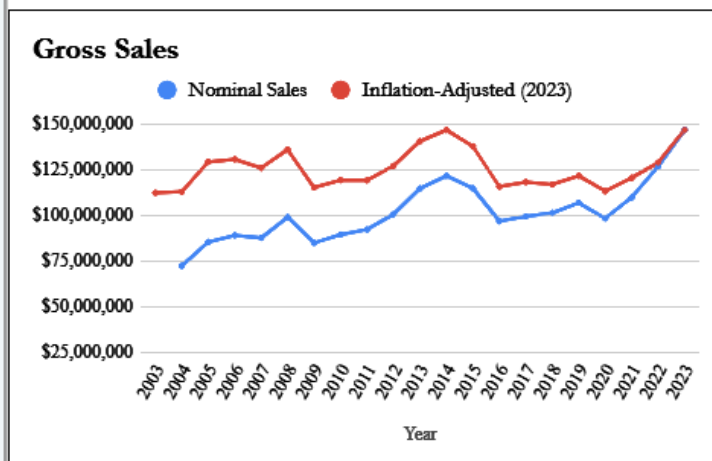
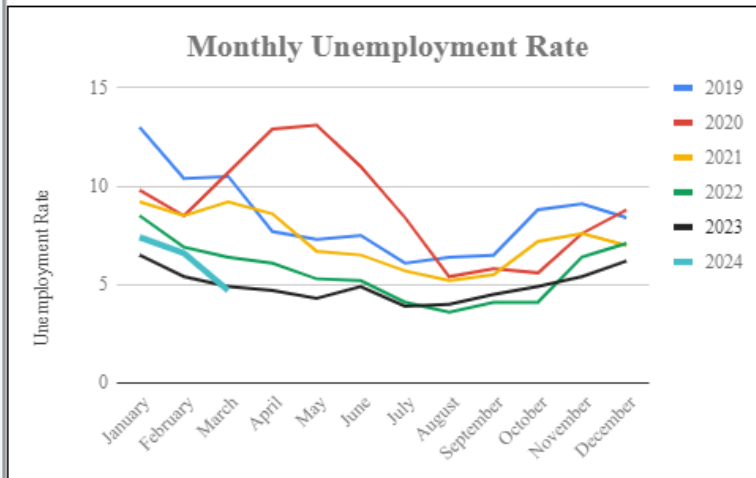




Change from 2022  
9.74%  
 Increased Wage

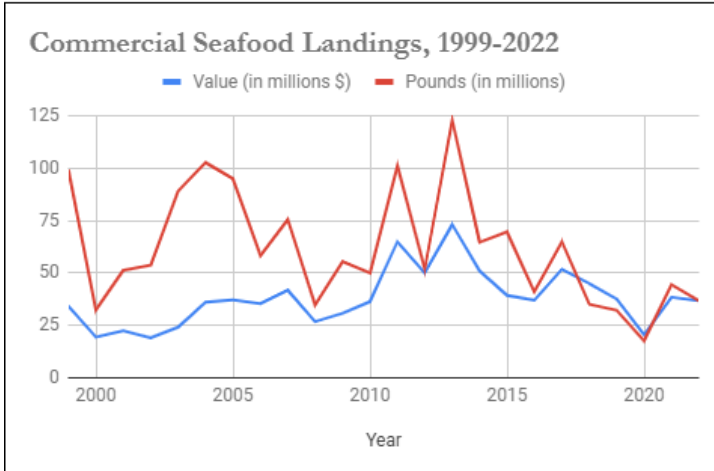
Statewide Average Wage  
\$5,677  
 Petersburg Average Wage  
\$4,485

Source: Alaska Dept of Labor, Quarterly Census of Employment & Wages



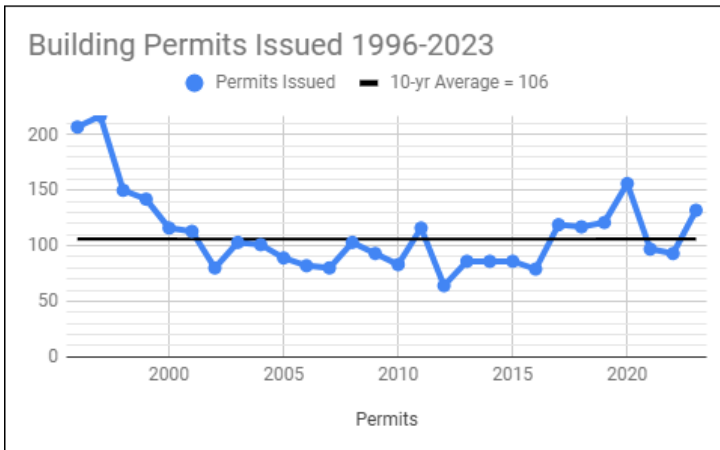
Change from 2022  
13.90%  
 Increase in Sales  
 (Inflation-adjusted)

Source: Petersburg Borough Finance Department

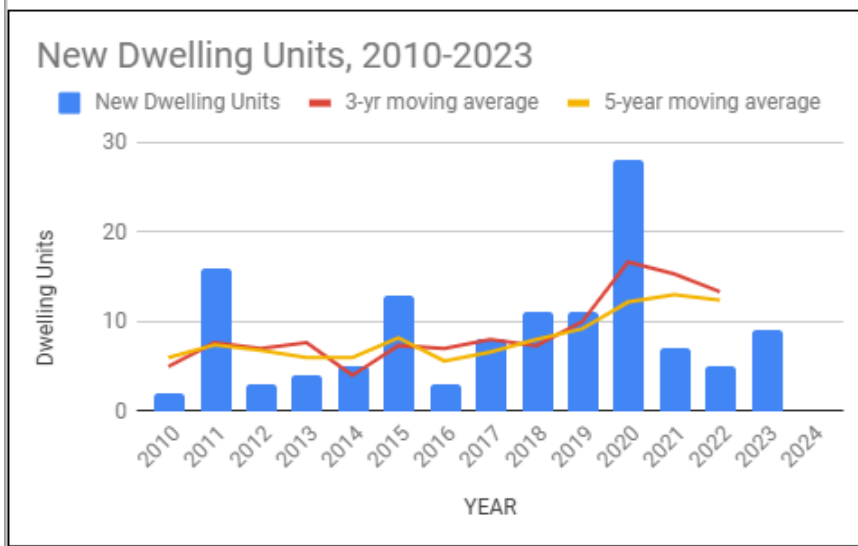


Compared to 2021  
 -4.18%  
 Decrease in Value  
 -17.38%  
 Decrease in Pounds

Source: NMFS Commercial Landings by Port



Source: Petersburg Borough Community Development Dept.



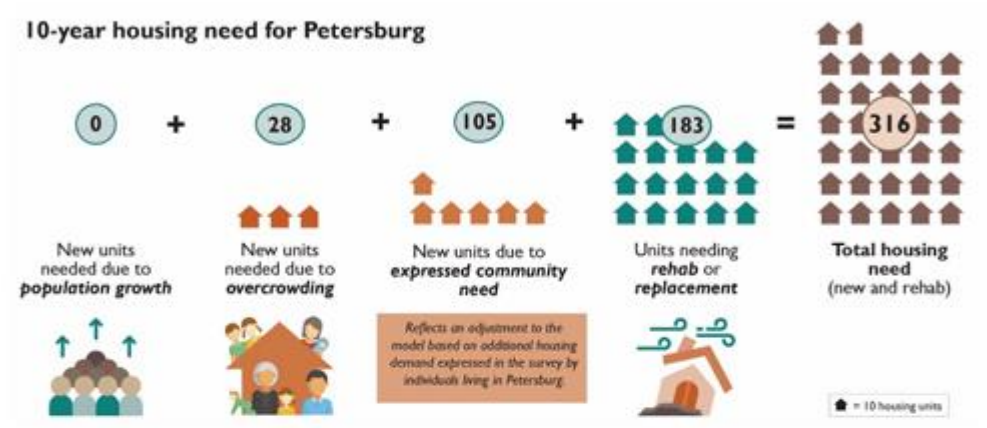
Compared to 2022  
 Increase by 4 units



The following excerpt is from a September 30, 2023, Petersburg Borough Housing Needs Report.

**Housing Needs**

**Petersburg needs an estimated 316 units over the next 10 years, including 133 new units and 183 rehab/renovation units, as indicated in the graphic below.**

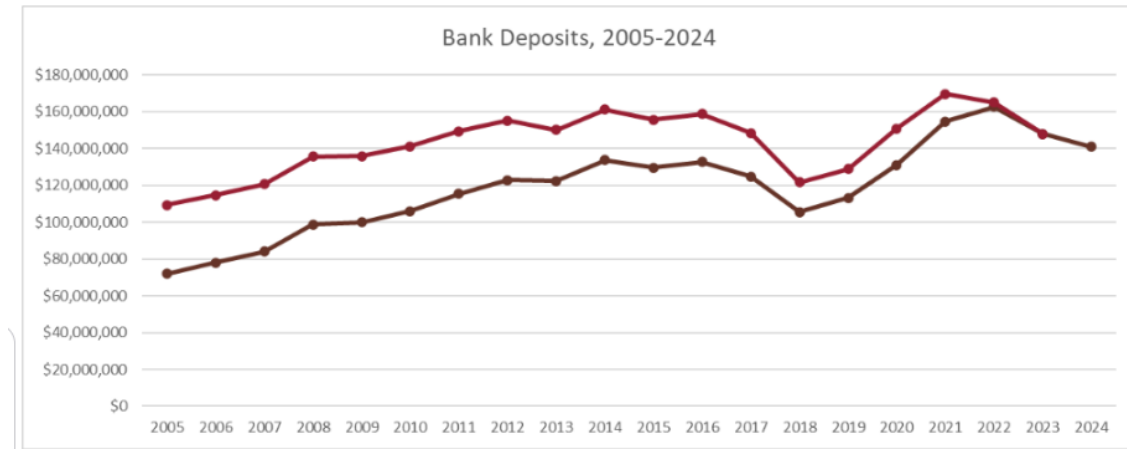


2

The need for housing exists across the income spectrum. The following table breaks down the total housing need by income category, which is useful for understanding housing types, affordability, and how to meet the estimated need. The table shows a need for 61 new units for lower income households, 25 new units for middle income households, and 47 new units for higher income households over the next 10 years.

Income Category	Percent of AMI	Income Range	Affordable Monthly Housing Payment (up to 30% of income)	Housing Need (New and Rehab) Next 10 Years	New Units Needed, Next 10 Years
Lower Income	<80% AMI	\$0-68,000	\$0-1,700	134 units needed	61 new units
Middle Income	80-120% AMI	\$68,000-102,000	\$1,700-2,550	54 units needed	25 new units
Higher Income	>120% AMI	\$102,000+	\$2,550+	128 units needed	47 new units

The above table shows the gross sales of all things sold from Petersburg. 2022 Shows a significant increase



The bank deposit graph above was given to the appraiser by Liz Cabrera

Interviews with the local realtors indicated significant demand for homes over the last few years when interest rates were low much of the stock got sucked up. Now with demand staying strong and inventory down, prices have held, and some increase has been noted.

## CONCLUSION

After studying the market indicators included above and others retained in the appraiser's file, it is the appraiser's opinion that market demand for residential will remain strong going forward. Trident Seafood closure sparks some uncertainty, but now with it being purchased by a local company and operating, some uncertainty has been displaced.

In general the economic condition in Petersburg is stable overall. Ocean beauty's plant which will more than likely be turned into a dock for cruise boats, increasing income to the town from tourism.

Increasing interest in Petersburg from the out-of-town market will continue adding to demand for single family lots.

Based on the foregoing, the outlook is turning more positive, and it is the appraiser's opinion that the Petersburg economy will remain stable going forward.

**Location Map**



## Property Description

The subject is a five-acre vacant, raw, parcel which is currently zoned Open Space Recreational. For this valuation it will be appraised as if it is Single Family Mobile Home, as this change would be a requirement for the current proposed transaction. It is currently located around 1300 feet from developed right of way and utilities, by way of a legal access easement.

SITE	
Location:	The subject is located approximately 1300 feet from the developed portion of Odin St, by way of an undeveloped easement.
Current Use of the Property:	Vacant
Site Size:	Total: 5.00 acres; 217,800 square feet
Shape:	Rectangular
Frontage/Access:	The subject property has fair access with frontage as follows: With the provided legal access being undeveloped.
Topography:	The subject is relatively flat with a slight slope up to the south. There is a drainage in the middle that is shallow and a deeper drainage that comes in on the eastern line and goes through the northeast corner.
Soil Conditions:	muskeg and treed over burden near drainages.
Utilities:	Adequacy: currently there are no utilities developed to the property
Site Improvements:	<ul style="list-style-type: none"> <li>• None</li> </ul>
Flood Zone:	<p>The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). A very small portion of the subject is located in FEMA flood zone A, which is classified as a flood hazard area.</p> <p>FEMA Map Number: 6200740001b FEMA Map Date: June 1, 1982</p> <p>a small area in the northwest corner may be shown to be in the flood zone A, per the flood map. I walked through this area,</p>

and it does not appear to be accurate.

- Wetlands/Watershed: The subject has muskeg, which is considered wetlands and needs corps approval for development along with drainages through the property
- Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.
- Encumbrance / Easements: The southern 32 feet of the subject is encumbered by an access easement.
- Site Comments: The subject property is approximately 1380 lineal feet away from developed right of way, by way of legal right of way.

**Site Plan/Tax Map/Survey**



Above is the subject lot, GL 21, as viewed in Alaska Mapper highlighted in yellow. The Anadromous stream layer shows the anadromous stream stopping short of the subject, this may or may not be true. It shows the legal access to the subject going over another branch of this anadromous stream. The purple line indicates the approximate 32 foot wide access easement, which connects with the right of way shown on Skylark II Subdivision plat, which connects it to Odin Street and gives the subject legal access. As can be seen the southern portion of the subject site is encumbered by this easement.

**Americans with Disabilities Act**

Please reference the Limiting Conditions and Assumptions section of this report on page 9.

**Hazardous Substances**

Please reference the Limiting Conditions and Assumptions section of this report on page 9.

## ***Subject Photographs***



Above is a photo taken by drone, viewing from north to south. In the foreground is a pad that is built on the adjoining property just adjacent to the subjects north property line. The subject south property line is near where the fog begins.



Above is a view facing south from near the subject's north line





Above is a picture of the stream that runs through the eastern property line.



Above is a view from mid property on the east side near the forested area.



Above is a view from near the southeast property corner looking west along the southern property line.



Above is a picture from the southwest property corner looking north up the western property line.

## Assessment and Taxes

**Taxing Authority** Petersburg Borough

**Assessment Year** 2024

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total Assessment	Tax Rate	Taxes
01010430	\$135,000	\$0	\$135,000	\$10.84	\$1,463
Totals	\$135,000	\$0	\$135,000		\$1,463

Notes:

### Comments

The subject was not assessed until 2024, when the request to purchase the property was considered. I am not sure how the assessor came to their 2024 assessment value, as it does not appear to be supported by market transactions.

## Highest and Best Use

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

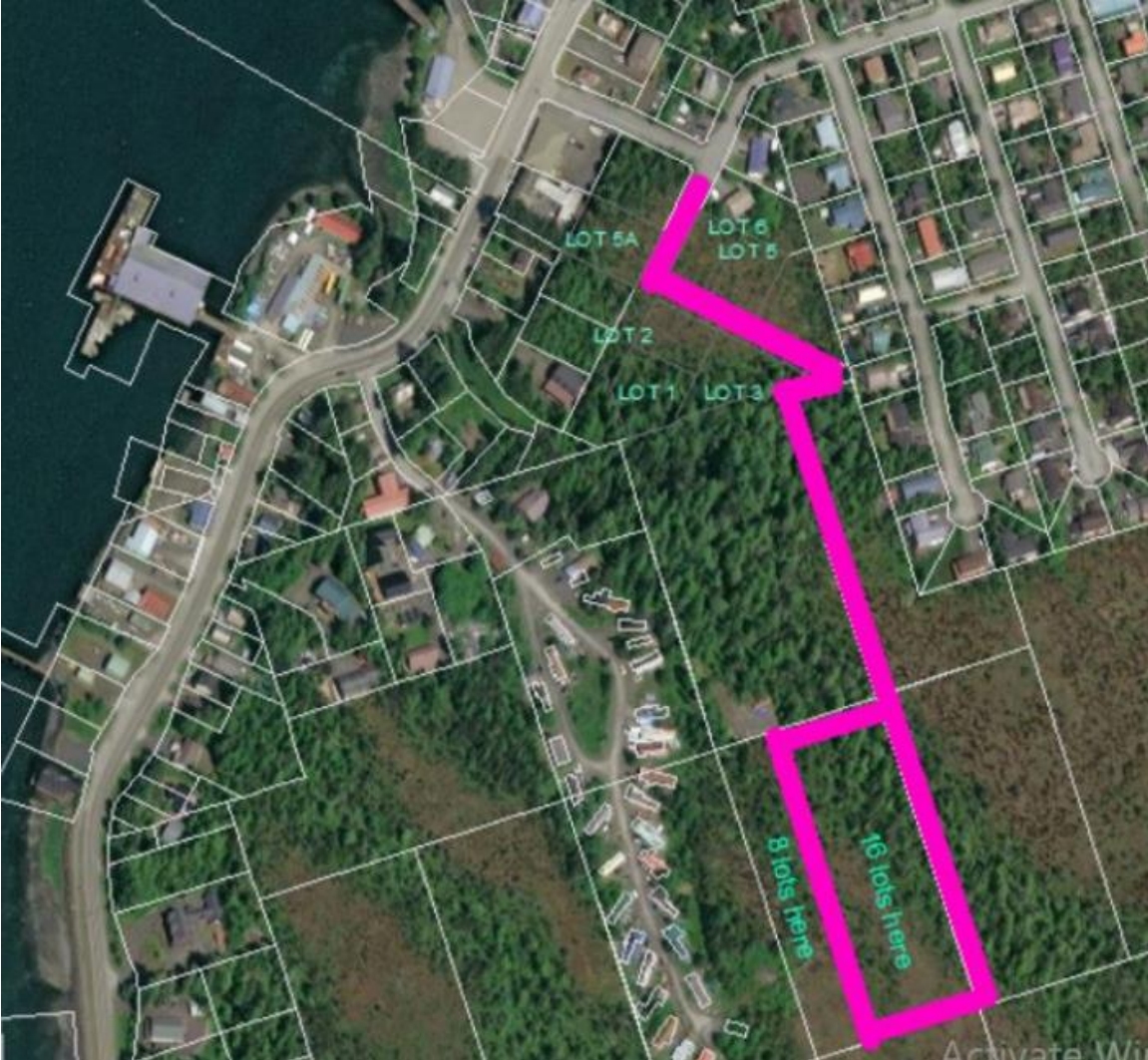
1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

## Highest and Best Use of the Site

The highest and best use of the site, as vacant, is for holding for future subdivision.

Currently developing access to the subject, by way of the platted right of way, and subdividing the property and selling lots is not financially feasible. A buyer would need to gamble that lot values will go up and civil construction cost will hold, for this property to ever be financially feasible to subdivide

Following is a highest and best use analysis for the subject as hypothetically zoned for SFR Mobile home.



above is a map showing what is physically and legally possible with the hypothetical zoning.

Skylark Petersburg Alaska Scenario: As Is		Prepared By: Roger Ramsey Analysis Date: 3/1/2025 Cash Flows: Annual						Period 3	
Cash Flows Beginning		Mar-2025		Mar-2026		Mar-2027		Project Totals	
	Inventory	Unit Value	# of Sales	Unit Value	# of Sales	Unit Value	# of Sales	Total Revenues	# of Sales
	Inventory 1	\$65,000	8	\$65,650	8	\$66,307	8	\$1,575,652	24
Appreciation -->			1.0%		1.0%				
	Revenues	\$520,000	8	\$525,200	8	\$530,452	8	\$1,575,652	24
		Period 1		Period 2		Period 3			
	Civil cost from Bosjun	\$2,250,000						\$2,250,000	
	Expense 4								
	Expense 5								
	Expense 6								
	Expense 7								
	Marketing/Commissions 3.0%	\$15,600		\$15,756		\$15,914		\$83,614	
	Developer's Profit 15.0%	\$78,000		\$78,780		\$79,568		\$418,070	
	Contingency 1.0%	\$5,200		\$5,252		\$5,305		\$27,871	
	<b>Total Expenses</b>	<b>\$2,348,800</b>		<b>\$99,788</b>		<b>\$100,786</b>		<b>\$2,779,555</b>	
	<b>Net Income</b>	<b>(\$1,828,800)</b>		<b>\$425,412</b>		<b>\$429,666</b>		<b>\$7,576</b>	
	Annual Discount Rate: 10.00%	0.90909		0.82645		0.75131			
	<b>Discounted Value</b>	<b>(\$1,662,545)</b>		<b>\$351,580</b>		<b>\$322,815</b>		<b>(\$348,528)</b>	
	<b>Net Present Value</b>	<b>(\$988,151)</b>		<b>Per Unit:</b>					
	<b>Rounded</b>	<b>\$1</b>		<b>\$0</b>					

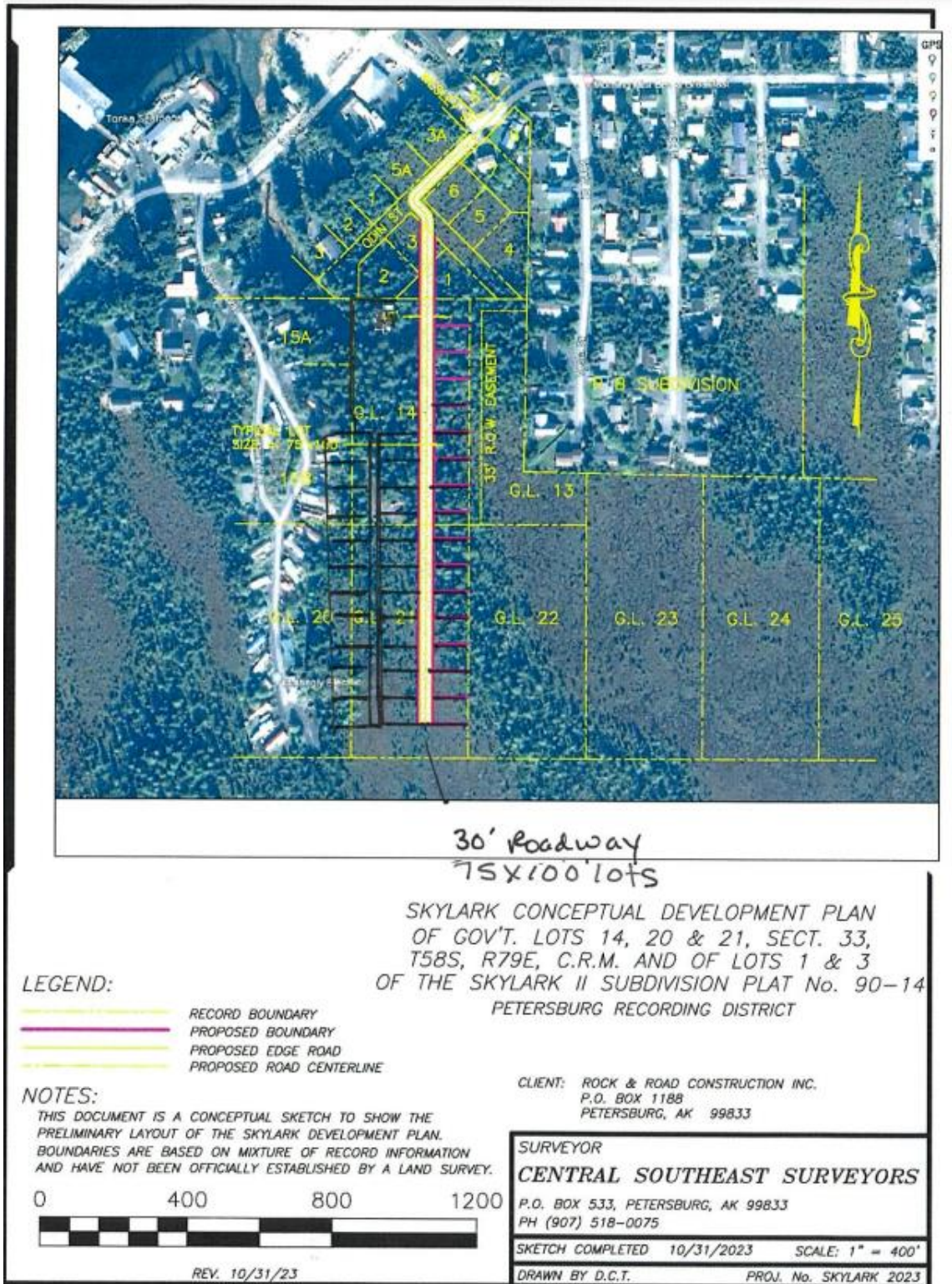
Above is a unit sales analysis. As can be seen above, I am using what is physically legally possible for the subject as a standalone site for the basis of this. Twenty four lots could be created and for this analysis I estimate they absorb into the market over a period of 3 years.

The civil costs are based on cost estimates roughly developed through discussions with Bosjun Reid. Marketing expenses are market based for these types of a projects. Developers profit is important to include as no one wants to work for free and this is a reasonable percentage.

Based on the above it appears the net present value is negative \$988,151, before rounding. As can be seen this is not currently a financially feasible use.

Conclusion: As a stand alone property the subjects highest and best use would be to hold it for future development.

The proposed purchasers have proposed a plan that develops the subject property, their property and the lots in Skylark Subdivision. Following is a map of that plan.



Skylark Petersburg Alaska Scenario: As Is		Prepared By: Roger Ramsey Analysis Date: 3/1/2025 Cash Flows: Annual												
Cash Flows Beginning		Mar-2025		Mar-2026		Period 3 Mar-2027		Period 4 Mar-2028		Period 5 Mar-2029		Project Totals		
Inventory	Unit Value	# of Sales	Unit Value	# of Sales	Unit Value	# of Sales	Unit Value	# of Sales	Unit Value	# of Sales	Unit Value	# of Sales	Total Revenues	# of Sales
Inventory 1	\$65,000	4	\$65,650	9	\$66,307	9	\$66,970	9	\$67,639	9	\$2,659,088	40		
Appreciation -->		1.0%		1.0%		1.0%		1.0%		1.0%				
<b>Revenues</b>	<b>\$260,000</b>	<b>4</b>	<b>\$590,850</b>	<b>9</b>	<b>\$596,759</b>	<b>9</b>	<b>\$602,726</b>	<b>9</b>	<b>\$608,753</b>	<b>9</b>	<b>\$2,659,088</b>	<b>40</b>		
<b>Expenses</b>	<b>Period 1</b>		<b>Period 2</b>		<b>Period 3</b>		<b>Period 4</b>		<b>Period 5</b>					
Civil	\$1,750,000												\$1,750,000	
Electrical														
Subdivision														
Expense 4														
Expense 5														
Expense 6														
Expense 7														
Marketing/Commissions	3.0%	\$7,800	\$17,726	\$17,903	\$18,082	\$18,263	\$18,444	\$18,625	\$18,806	\$18,987	\$19,168	\$19,349	\$79,773	
Developer's Profit	15.0%	\$39,000	\$88,628	\$89,514	\$90,409	\$91,313	\$92,217	\$93,121	\$94,025	\$94,929	\$95,833	\$96,737	\$398,863	
Contingency	1.0%	\$2,600	\$5,909	\$5,968	\$6,027	\$6,088	\$6,147	\$6,207	\$6,267	\$6,327	\$6,387	\$6,447	\$26,591	
<b>Total Expenses</b>		<b>\$1,799,400</b>	<b>\$112,262</b>	<b>\$113,384</b>	<b>\$114,518</b>	<b>\$115,663</b>	<b>\$116,818</b>	<b>\$117,983</b>	<b>\$119,158</b>	<b>\$120,343</b>	<b>\$121,538</b>	<b>\$122,743</b>	<b>\$2,255,227</b>	
<b>Net Income</b>		<b>(\$1,539,400)</b>	<b>\$478,589</b>	<b>\$483,374</b>	<b>\$488,208</b>	<b>\$493,090</b>	<b>\$498,021</b>	<b>\$503,002</b>	<b>\$508,043</b>	<b>\$513,144</b>	<b>\$518,305</b>	<b>\$523,526</b>	<b>\$403,861</b>	
<b>Annual Discount Rate:</b>	<b>10.00%</b>	0.90909	0.82645	0.75131	0.68301	0.62092	0.56473	0.51257	0.46599	0.42469	0.38843	0.35601		
<b>Discounted Value</b>		<b>(\$1,399,455)</b>	<b>\$395,528</b>	<b>\$363,166</b>	<b>\$333,453</b>	<b>\$306,170</b>	<b>\$281,166</b>	<b>\$258,063</b>	<b>\$236,511</b>	<b>\$216,271</b>	<b>\$197,201</b>	<b>\$179,161</b>	<b>(\$1,138)</b>	
<b>Net Present Value</b>		<b>(\$1,138)</b>		Per Unit:										
<b>Rounded</b>		<b>\$1</b>		<b>\$0</b>										

As can be seen in this scenario the net present value of the subject property as a part of this project is still negative, but nearly break even at negative \$1,138. And since the purchaser has a company that can complete the civil work, and the cost for the civil work includes their profit, this project appears to pencil out for them.

**Highest and best use conclusion**

The subject as a stand alone property would have a highest and best use of holding for future development. The only way that development of the subject property make sense is if it were developed in concert with the adjoining property, currently owned by the potential buyer along with the proposed lots of Skylark subdivision and developed by the buyer who owns a company that does civil work. Otherwise development of the subject is just not financially fesible at this time.



## Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

### Cost Approach

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ = \text{Value} \end{array}$$

### Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

### Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

### Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

### *Analyses Applied*

A **cost analysis** was considered and was not developed because The subject is vacant land and this approach does not apply.

A **sales comparison analysis** was considered and was developed because there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

An **income analysis** was considered and was not developed because the subject is not an income producing property and this approach does not reflect market behavior for this property type.

## **Sales Comparison Approach – Land Valuation**

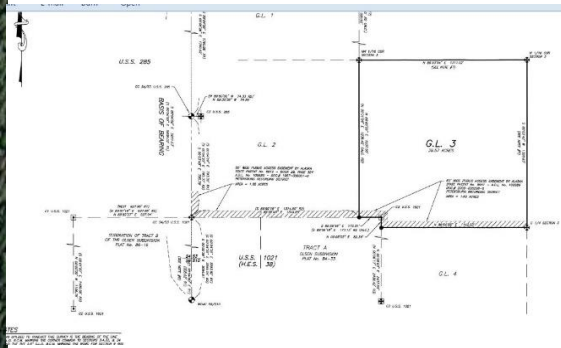
The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution, and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed, and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed, and the data reconciled for a final indication of value via the Sales Comparison Approach.

### ***Land Comparables***

I have researched four comparables, for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected, and verified by a party to the transaction.

**Land Comparable 1**



Transaction			
<b>ID</b>	3748	<b>Date</b>	9/20/2021
<b>Address</b>	airport bypass (nearest)	<b>Price</b>	\$120,000
<b>City</b>	Petersburg	<b>Price per Acre</b>	\$3,025.72
<b>State</b>	AK	<b>Financing</b>	Cash
<b>Tax ID</b>	1032300	<b>Property Rights</b>	Fee Simple
<b>Grantor</b>	HEDIN BELINDA J	<b>Days on Market</b>	--
<b>Grantee</b>	BUSCHMANN	<b>Verification</b>	Buyer
<b>Legal Description</b>	Lot: 3		
Site			
<b>Acres</b>	39.66	<b>Topography</b>	mixed
<b>Land SF</b>	1,727,590	<b>Zoning</b>	Unzoned
<b>Road Frontage</b>	None	<b>Flood Zone</b>	no
<b>Shape</b>	Rectangular	<b>Encumbrance or</b>	access south line
<b>Utilities</b>	None	<b>Environmental Issues</b>	None
Comments			
<p>This property did not have developed access and the nearest road is about 1600 feet away on an easement. Access is through a 50 foot wide access easement from airport by pass Road. This easement also encumbers the southern 50 feet of the subject.</p>			

**Land Comparable 2**



**Transaction**

<b>ID</b>	3758	<b>Date</b>	11/24/2021
<b>Address</b>	183 Mitkof Hwy	<b>Price</b>	\$45,000
<b>City</b>	Petersburg	<b>Price per Acre</b>	\$3,654.26
<b>State</b>	--	<b>Financing</b>	Cash
<b>Tax ID</b>	--	<b>Property Rights</b>	Fee Simple
<b>Grantor</b>	Cliff Roundtree and Brian	<b>Days on Market</b>	--
<b>Grantee</b>	Gregory Cowling	<b>Verification</b>	Cliff Roundtree and
<b>Legal Description</b>	--		

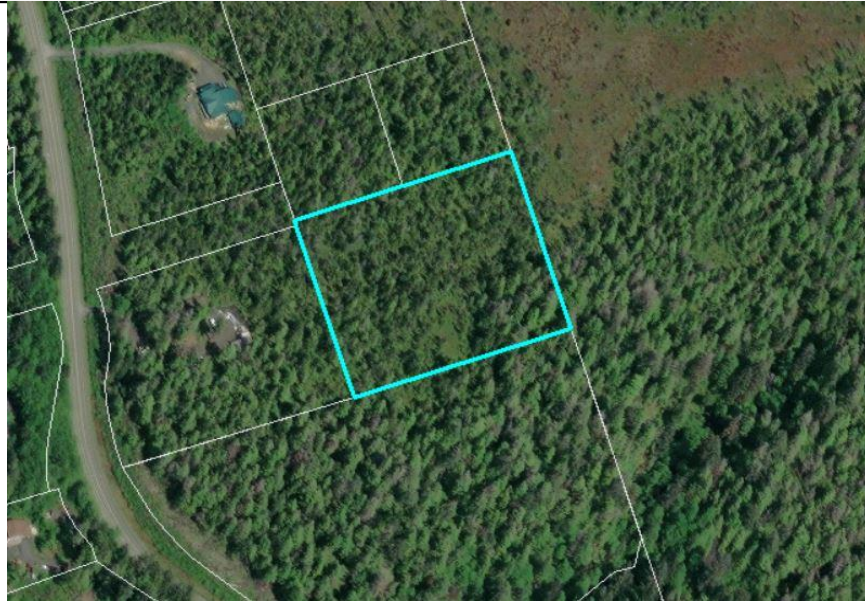
**Site**

<b>Acres</b>	12.31	<b>Topography</b>	Mixed
<b>Land SF</b>	536,415	<b>Zoning</b>	SFR
<b>Road Frontage</b>	0	<b>Flood Zone</b>	no
<b>Shape</b>	Roughly rectangular	<b>Encumbrance or</b>	None
<b>Utilities</b>	None	<b>Environmental Issues</b>	none known

**Comments**

This was the purchase of three properties from two people who were relatives and inherited the property. The purchaser owned the adjoining property. Access and utilities were not developed to these lots and the title company did not identify any legal access. one lot was 10.47 acres and as part of this transaction sold for \$20,000. or \$1,908 per acre. Another was .68 of an acre and sold for \$10,000 and the third was 1.147 acres and sold for \$15K.

**Land Comparable 3**



**Transaction**

<b>ID</b>	1188	<b>Date</b>	3/15/2019
<b>Address</b>	Mitkof Highway	<b>Price</b>	\$24,000
<b>City</b>	petersburg	<b>Price per Acre</b>	\$5,274.73
<b>State</b>	AK	<b>Financing</b>	cash
<b>Tax ID</b>	1203380	<b>Property Rights</b>	Fee Simple
<b>Grantor</b>	Haugen	<b>Days on Market</b>	225
<b>Grantee</b>	Schramek, Alec	<b>Verification</b>	Schramek
<b>Legal Description</b>	Lot 45, Sec. 35, T 59S,		

**Site**

<b>Acres</b>	4.55	<b>Topography</b>	Mixed
<b>Land SF</b>	198,198	<b>Zoning</b>	Rural Res
<b>Road Frontage</b>	20 undeveloped rd	<b>Flood Zone</b>	northerly 50 feet access
<b>Shape</b>	rectangular	<b>Encumbrance or</b>	northerly 50 feet access
<b>Utilities</b>	none	<b>Environmental Issues</b>	none known

**Comments**

This property has some good developable areas but has some sharply sloping on its SE portions. it appears to have access from an approximate 100 foot right of way, for which this lot appears to have about 20 feet of frontage on. No access or utilities were developed to the site at the time of acquisition and were about 460 feet away.

**Land Comparable 4**



**Transaction**

<b>ID</b>	1187	<b>Date</b>	8/12/2020
<b>Address</b>	Mitko Highway	<b>Price</b>	\$20,000
<b>City</b>	Petersburg	<b>Price per Acre</b>	\$7,407.41
<b>State</b>	AK	<b>Financing</b>	cash
<b>Tax ID</b>	01203360 & 01203340	<b>Property Rights</b>	Fee Simple
<b>Grantor</b>	Parker Loreen	<b>Days on Market</b>	--
<b>Grantee</b>	Schramek, Alec	<b>Verification</b>	Schramek
<b>Legal Description</b>	West and East halves of		

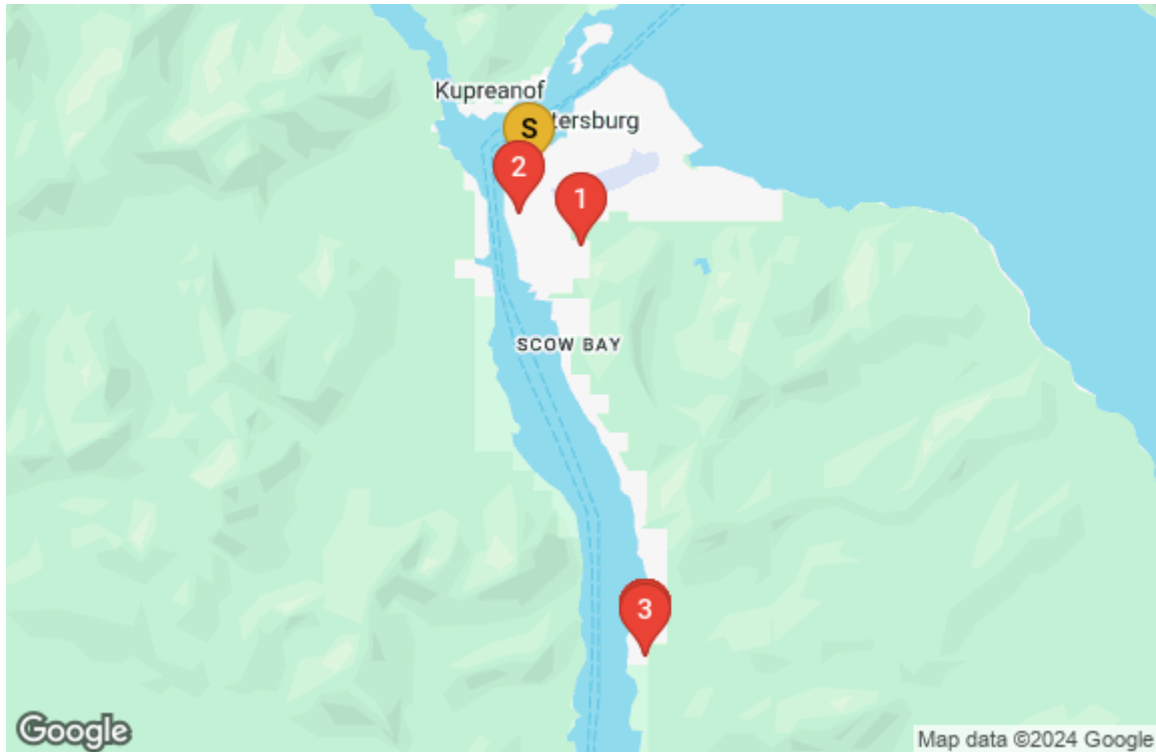
**Site**

<b>Acres</b>	2.70	<b>Topography</b>	Mixed
<b>Land SF</b>	117,612	<b>Zoning</b>	Rural Residential
<b>Road Frontage</b>	80 on the undeveloped rd	<b>Flood Zone</b>	no
<b>Shape</b>	rectangular	<b>Encumbrance or</b>	Southern 50 feet access
<b>Utilities</b>	none	<b>Environmental Issues</b>	none known

**Comments**

These lots are nicely treed and fairly level. They were purchased together for \$10K each. There is no developed access to these lots and the highway is 440 feet away. Buyer estimates a cost of \$100K for driveway and underground power. The buyer also has the adjoining lot to the south

## Comparables Map



## Analysis Grid

The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.

Land Analysis Grid		Comp 1		Comp 2		Comp 3		Comp 4	
Address	Easement off Oden St	airport bypass		183 Mitkof Hwy		Mitkof Highway		Mitko Highway	
City	Petersburg	Petersburg		Petersburg		petersburg		Petersburg	
State	AK	AK		0		AK		AK	
Date		9/20/2021		11/24/2021		3/15/2019		8/12/2020	
Price	--	\$120,000		\$45,000		\$24,000		\$20,000	
Acres	5.00	39.66		12.31		4.55		2.70	
Acre Unit Price	\$0	\$3,026		\$3,654		\$5,275		\$7,407	
<b>Transaction Adjustments</b>									
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Cash	0.0%	Cash	0.0%	cash	0.0%	cash	0.0%
Conditions of Sale	Cash	Normal/see comments	0.0%	Normal/see comments	0.0%	Normal	0.0%	Normal	0.0%
<b>Adjusted Acre Unit Price</b>		<b>\$3,026</b>		<b>\$3,654</b>		<b>\$5,275</b>		<b>\$7,407</b>	
Market Trends Through	1/0/1900	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Adjusted Acre Unit Price</b>		<b>\$3,026</b>		<b>\$3,654</b>		<b>\$5,275</b>		<b>\$7,407</b>	
Location	Town	slightly inferior		similar		Inferior		Inferior	
% Adjustment		5%		0%		5%		5%	
\$ Adjustment		\$151		\$0		\$264		\$370	
Acres	5.00	39.66		12.31		4.55		2.70	
% Adjustment		50%		30%		0%		-30%	
\$ Adjustment		\$1,513		\$1,096		\$0		-\$2,222	
Topography	mixed	mixed		Mixed		Mixed		Mixed	
% Adjustment		0%		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0		\$0	
Access	1300 feet away	1600+/- feet away		240 feet away,no		460 feet away		undeveloped 440 feet	
% Adjustment		20%		20%		-10%		-10%	
\$ Adjustment		\$605		\$731		-\$527		-\$741	
Utilities	None	None		None		None		None	
% Adjustment		0%		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0		\$0	
Zoning	Hypothetically, single family mobile	Unzoned		Single family		Rural Res		Rural Residential	
% Adjustment		0%		0%		5%		5%	
\$ Adjustment		\$0		\$0		\$264		\$370	
<b>Adjusted Acre Unit Price</b>		<b>\$5,295</b>		<b>\$5,481</b>		<b>\$5,275</b>		<b>\$5,185</b>	
Net Adjustments		75.0%		50.0%		0.0%		-30.0%	
Gross Adjustments		75.0%		50.0%		20.0%		50.0%	



## ***Comparable Land Sale Adjustments***

### **Property Rights**

All comparables were purchased for their fee simple rights

### **Financing**

All were purchased with cash

### **Conditions of Sale**

No duress was noted in any of the sales

### **Economic Trends**

It is the appraiser's opinion, based on the available market data, that the sales are recent enough not to require an adjustment for this aspect.

### **Location**

Sale 1 is considered slightly inferior due to its lack of walkability to town. Sale 2 is considered similar to the subject. Sales 3 and 4 are considered inferior as they are much further from town and off-site amenities.

### **Acres**

Comparable 1 is 8 times the size of the subject and the risk associated with utilizing all area is much higher, for this reason larger properties typically sell for much less per acre. Comparable 2 is a bit over twice the size, though it is already three lots giving it some advantage. Comparable 4 is smaller and two lots presenting less risk.

### **Topography**

No adjustment was made for this aspect

### **Access**

Comparable 1 has a bit over 20% more distance of undeveloped area to cover to reach the property. Comparable 2 is much shorter but there is no known legal way to access these lots except by the buyers property. Comparable 3 and 4 have a nice wide right of way to work with for access, and it is shorter making these lots superior.

### **Utilities**

None of the comparables have utilities and are considered similar

### **Zoning**

Comparables 3 and 4 have significantly lower potential density and are considered inferior.

### **Sales Comparison Approach Conclusion – Land Valuation**

Following adjustments, the comparables indicated prices per acre of \$5,185 to \$5,481, with a median value of \$5,285.

Sale	\$/Acre	Comparability
2	\$5,481.39	
Subject	\$5,300.00	
1	\$5,295.01	
3	\$5,274.73	
4	\$5,185.19	

All of the value indications have been considered, and in the final analysis, comparables 2 and 3, the most proximate and similar in size, have been given most weight in arriving at my final reconciled per acre value of \$5,300.

<b>Land Value Ranges &amp; Reconciled Value</b>				
Number of Comparables:	4	Unadjusted	Adjusted	% Δ
Low:		\$3,026	\$5,185	71%
High:		\$7,407	\$5,481	-26%
Average:		\$4,841	\$5,309	10%
Median:		\$4,464	\$5,285	18%
<b>Reconciled Value/Unit Value:</b>			\$5,300	acre
<b>Subject Size:</b>			5.00	
<b>Indicated Value:</b>			\$26,500	
<b>Reconciled Final Value:</b>			<b>\$26,500</b>	
<b>Twenty Six Thousand Five Hundred Dollars</b>				

### **Final Reconciliation**

The process of reconciliation involves the analysis of each approach to value. The quality of data applied the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

#### **Value Indication**

**Sales Comparison Approach – Land Value:** \$26,500

#### **Sales Comparison Approach**

▶ Discuss data quality, quantity, and relevance of approach ◀

#### **Value Conclusion**

Based on the data and analyses developed in this appraisal, I have reconciled to the following value conclusion(s), as of October 25, 2024, subject to the Limiting Conditions and Assumptions of this appraisal.

**Reconciled Value(s):** Premise: As Is  
Interest: Fee Simple  
Value Conclusion: \$26,500  
Twenty-Six Thousand Five Hundred Dollars



## Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective future interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- I certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The appraiser has not performed any services regarding the subject within the three-year period immediately preceding acceptance of this assignment.
- Roger Ramsey made an inspection of the subject property.



Roger Ramsey  
AK-APRG570

## **Addenda**

## Qualifications of Roger Ramsey

Since starting Ramsey Appraisal Resource in 2006, I have had the pleasure of providing high quality appraisal services to a diverse client base, on many complex appraisal assignments throughout S.E. Alaska.

A partial client list includes; AKDOT&PF, for which I have performed numerous valuations of partial and whole acquisitions, for eminent domain actions. Other State agencies which have used my services are AKDNR and Alaska Mental Health Trust Land Office. I have performed appraisals for the Cities and or Boroughs of Haines, Juneau, Petersburg, Ketchikan and Klawock. I am on the approved appraiser list of numerous lenders operating in SE Alaska and enjoy good working relationships with their review appraisers. I have been hired by attorneys and private parties for estate valuations and divorce proceedings. I have valued properties for conservation groups who are negotiating with property owners.

I am proud of my appraisal accomplishments and credit my success to good education, good mentors, helpful reviewers, persistence and hard work.

Professional Experience	Dates	Contact
Ramsey Appraisal Resource	2006-Present	Roger Ramsey
Horan and Company	4 months 2006	Charles Horan, 907-747-6666
AKDOT&PF	24 months 2004-2005	Ray Preston, 907-465-4519
Henricksen Appraisal	24 months 2002-2003	Bob Henricksen 907-723-3590
AKDOT&PF	8 months 2000-2001	Rob Murphy 907-465-4541

**Education** University of Alaska, BBA, 2001

### Appraisal Education - Associate member of the Appraisal Institute # 401410

2023	USPAP Update, Practical Application of Fundamental Analysis, Appraisal of Industrial and Flex Buildings, The Cost Approach
2021	USPAP Update, Eminent Domain and condemnation appraising, Commercial Leases: The Tenant and Terms matter, Analyzing Operating Expenses, Cool Tools: New tech for appraisers.
2019	USPAP update, HP-12C, Appraisal Statistics and financing Appraisal Institute, Seattle
2017	Income Capitalization, Appraisal Institute – San Diego and USPAP update online
2015	Appraisal of Conservation Easements and other Partial interest – Sacramento CA
2013	USPAP update, -/- Uniform Appraisal Standards for Federal Land Acquisitions, -/- Business Practices and Ethics, Anchorage, AK
2011	USPAP update, Tigard OR, -/- Real Estate Industry Perspectives on Lease Accounting, online, -/- Basic building science, Air Sealing, ventilation & Ice Dam, Juneau, AK
2010	Advance Sales Comparison and Cost Approach, Seattle WA
2009	Advanced income Approach, Tigard OR, -/- Commercial Appraisal Engagement and Review, Tigard OR, -/-15-Hour USPAP, Tigard OR
2008	Sustainable Mixed use, Seattle, WA
2007	General Demonstration Appraisal Report Writing, Tigard, OR, -/- USPAP update Tualatin,-/- Appraisal & Appraisal Review for Federal-Aid Highway Programs, Anchorage, AK --
2006	General Applications, Online, -/- Apartment Appraisal, Concepts and Applications, Long Beach, CA
2005	Basic Income Capitalization, Tualatin, OR,-/- USPAP update Juneau, AK,-/- Best practices for Residential Report Writing, Juneau, AK
2004	Appraising Special Purpose properties, -/- Appraisal of Nonconforming Uses, -/- Partial Interest Valuation/Divided, -/- Subdivision Analysis, Anchorage, AK
2003	(USPAP) Standards of Professional Practice, Lake Oswego, OR, -/- Residential Case Study, Dublin, CA,
2002	Appraisal Procedures, Appraisal Institute, Diamond Bar, CA
1998	Appraisal Principles, Appraisal Institute, Chicago, IL

### Types of Property Appraised

**Commercial**– I have appraised office buildings, apartments, marine facilities, restaurants, mixed use, convenience stores with gas, industrial and commercial shops. I have valued partial interest of remote recreational, industrial, commercial and residential properties for eminent domain. I have valued industrial, commercial, and residential tidelands. I have appraised large tracts of land with timber value, “special use properties (churches, armory, and funeral homes)”, and remote commercial properties (lodges).

**Residential** – I have appraised single family residences, duplexes, triplexes, four-plex's, remote improved and vacant residential properties throughout SE AK.

**Markets Appraised:**

I have appraised both town and remote locations in all of the following areas: Haines, Skagway, Gustavus, Hoonah, Tenakee springs, Juneau, Sitka, Petersburg, Wrangell, Ketchikan, Prince of Whales and Hyder



## Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

### Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 13<sup>th</sup> ed. Chicago: Appraisal Institute, 2008. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 5<sup>th</sup> ed. 2010. Print.

### Effective Date

1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

### Exposure Time

1. The time a property remains on the market.
2. 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 estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

### Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions

external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinion or conclusions. (USPAP, 2020-2021 ed.)

### Fee Simple Estate

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. (Dictionary, 5th Edition)

### Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved

property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

### **Highest and Best Use of Land or a Site as Though Vacant**

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (Dictionary, 5th Edition)

### **Highest and Best Use of Property as Improved**

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

### **Hypothetical Condition**

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

### **Leased Fee Interest**

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a

contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

### **Market Area**

The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

### **Market Value**

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal. (USPAP, 2020-2021 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the

following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market

under all condition's requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should

exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)

5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

exposure and marketing time). (Dictionary, 5th Edition)

### **Scope of Work**

The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

### **Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable