



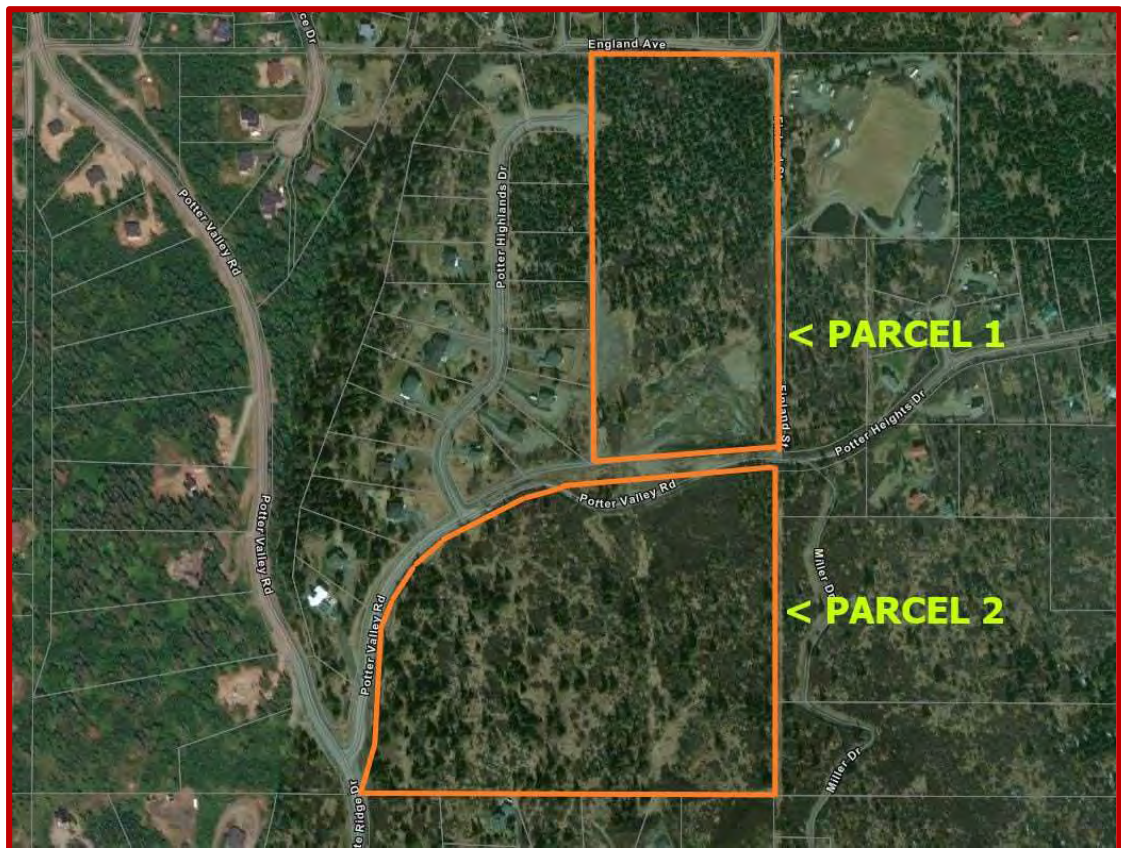
**North Pacific Advisors, LLC**  
Commercial Real Estate Appraisers and Consultants

200 West 34th Avenue, Suite 403  
Anchorage, Alaska 99503  
(907) 561-1225  
(907) 258-0292 Fax

## APPRAISAL REPORT

# Two Tracts in Potter Creek

Potter Valley Road  
Anchorage, Alaska 99516  
File No. 22-2601-GW



Effective Date—November 3, 2022

Prepared for:

Potter Creek Development LLC  
561 East 36th Avenue, Suite 200  
Anchorage, AK 99503



**North Pacific Advisors, LLC**  
Commercial Real Estate Appraisers and Consultants

200 West 34th Avenue, Suite 403  
Anchorage, Alaska 99503  
(907) 561-1225  
(907) 258-0292 Fax

December 9, 2022

Ms. Constance Yoshimura  
Registered Agent  
Potter Creek Development LLC  
561 East 36th Avenue, Suite 200  
Anchorage, AK 99503

RE: Market Value of Two Tracts Vacant Land located on Potter Valley Road in Anchorage, Alaska.

**Our File 22-2601-GW**

Dear Ms. Yoshimura,

We have prepared an appraisal of the above-referenced property. Our scope of work is sufficient to develop a credible value estimate and it includes a land sale comparison approach.

The purpose of the appraisal is to estimate "as is" market value of the fee simple interest in the property. Definitions of the terms *market value*, *fee simple interest*, and "as is" are contained in the appraisal report.

The appraisal complies with appraisal instructions; our engagement letter is in the Addenda. The appraisal also adheres to the 2020-2022 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC) and to FIRREA requirements.

The appraised property consists of two tracts of vacant land in the Potter Creek Development area in South Anchorage, Alaska. Parcel 1 is 21.89 acres and Parcel 2 is 34.09 acres. Both tracts have road access and partial utility services that include natural gas, telephone and electricity. Residential construction will require water wells and engineered septic systems. Another requirement is new construction must have fire sprinkler systems. The owner reports no subdivision plans are in place at this time.

By virtue of our inspection, investigation, analysis, it is the opinion of the appraiser that "as is" market value of the fee simple interest in the subject real estate, as described herein, as of November 3, 2022 is:

<b>Parcel 1: Potter Highlands Phase 3 Tract A-9</b>	<b>\$720,000</b>
<b>Parcel 2: Viewpoint South Tract A-1</b>	<b>\$950,000</b>

The market value conclusion is based on a marketing period of up to twelve months assuming diligent efforts. Your attention is directed to the Certification and Assumptions & Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,

Gregory S. Wing, MAI  
State Certified General Real Estate Appraiser AK #204

## CERTIFICATION

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

- 1) The statements of fact contained in this report are true and correct.
- 2) 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.
- 3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- 8) Gregory S. Wing, MAI has inspected the property. Jolynne Howard, MAI assisted Mr. Wing in research and analysis.
- 9) No one provided significant professional assistance to the person or persons signing this report, unless otherwise stated in the Letter of Transmittal.
- 10) To the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- 11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12) As of the date of this report, Gregory S. Wing, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- 13) The appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the three years prior to this appraisal.

### Restriction Upon Disclosure & Use

The By-Laws & Regulations of the Appraisal Institute govern disclosure of the contents of this appraisal report. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.



\_\_\_\_\_  
Gregory S. Wing, MAI

## ASSUMPTIONS & LIMITING CONDITIONS

An assumption is that which is taken to be true (USPAP 2020-2022 Edition).

- 1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) Responsible ownership and competent management are assumed.
- 4) No responsibility is assumed for the legal description or for matters including legal or title consideration.
- 5) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 6) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made therefor.
- 7) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 8) The appraiser hereby certifies that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan, and that the appraiser was competent and qualified to perform the appraisal assignment.

# TABLE OF CONTENTS

<b>Transmittal Letter</b> _____	<b>1</b>	North Pacific Advisors - Summary _____	16
<b>Certification</b> _____	<b>2</b>	Population & Housing Demand _____	17
Restriction Upon Disclosure & Use _____	2	Housing Stock _____	17
<b>Assumptions &amp; Limiting Conditions</b> _____	<b>3</b>	New Home Construction _____	17
<b>Table of Contents</b> _____	<b>4</b>	Sale Market Conditions – New Construction _____	18
<b>Summary of Facts and Conclusions</b> _____	<b>5</b>	Housing Construction Trends _____	18
<b>Definition of Appraisal Problem</b> _____	<b>7</b>	Summary _____	18
Identification _____	7	<b>Real Estate Taxes &amp; Zoning</b> _____	<b>20</b>
Legal Description _____	7	Real Estate Taxes _____	20
Purpose of the Appraisal _____	7	Special Assessments _____	20
Intended Use of the Appraisal _____	7	Zoning Description _____	20
Property Rights Appraised _____	7	Special Limitations _____	21
Personal Property _____	7	Surrounding Zoning _____	21
Appraisal Dates _____	7	Impact of Zoning _____	21
Exposure & Marketing Periods _____	7	<b>Neighborhood Description</b> _____	<b>22</b>
Marketing Period _____	7	Neighborhood Boundaries _____	22
Scope of Work _____	7	Linkages _____	22
Current Owner and Sales History _____	8	Surrounding Properties _____	22
Competency Statement _____	8	Schools and Churches _____	23
Definitions _____	8	Conclusion _____	23
Market Value _____	8	<b>Property Description and Analysis</b> _____	<b>24</b>
“As Is” Value _____	8	Size and Shape _____	24
“At Completion” Value _____	8	Utilities _____	24
“At Stabilized Occupancy” Value _____	8	Topography and View _____	24
Fee Simple Estate _____	9	Soil Conditions _____	24
Real Property _____	9	Easements _____	24
Extraordinary Assumptions _____	9	Seismic Hazard _____	25
Hypothetical Conditions _____	9	Flood Plain _____	25
<b>Area Analysis</b> _____	<b>10</b>	Flood Map _____	25
Economic Forecast _____	10	Hazardous Materials _____	25
Infrastructure bill will boost construction, related services _____	10	Collateral Strengths & Weaknesses _____	26
Oil industry won't play a big recovery role _____	12	Positive Aspects: _____	26
Expectations are high for a record visitor season _____	12	Negative Aspects: _____	26
Strong growth for bars and restaurants after pandemic lows _____	13	<b>Highest and Best Use Analysis</b> _____	<b>30</b>
Transportation industry set to break records in 2022 _____	13	Highest and Best Use as Vacant _____	30
Health care to resume growth after pandemic broke its streak _____	14	Most Probable Buyer _____	30
Lower school enrollment, more state government loss this year _____	14	Summary of Highest and Best Use _____	30
Unemployment _____	14	Sale Comparison Methodology _____	31
Consumer Price Index _____	14	Comparative Analysis _____	33
Economic Forces - Conclusions _____	15	Zoning Differences _____	33
Population _____	15	Size _____	33
		Value Conclusions _____	33
		Conclusion Summary _____	34
		<b>Addenda</b> _____	<b>35</b>
		Engagement Letter _____	
		Appraiser Qualifications _____	

## SUMMARY OF FACTS AND CONCLUSIONS

**Project Name:** Two Tracts, Potter Creek Development, LLC

<b>Purpose of Appraisal:</b>	Estimate the market value “as is”
<b>Property Rights Appraised:</b>	Fee simple interest
<b>Location:</b>	Potter Valley Road, Anchorage, Alaska
<b>Legal Description:</b>	Parcel 1: Tract A-9, Potter Highlands Subdivision Phase 3 Parcel 2: Tract A-1, Viewpoint South Subdivision
<b>Tax ID Nos:</b>	020-282-10 and 020-281-46
<b>Ostensible Owner:</b>	Potter Creek Development LLC
<b>Longitude/Latitude</b>	61.047, 149.763
<b>Sale History:</b>	No recorded sales or known listings, offers or contracts for either tract in the three years prior to the appraisal.
<b>Site:</b>	<p>Location is in Southeast Anchorage on the hillside about one mile above Potter Marsh. Surrounding land is mostly undeveloped but includes custom houses that are part of the multi-phase Potter Creek Development.</p> <p>The site consists of two parcels on the north and south sides of Potter Valley Road at Finland Street.</p> <p><b>Parcel 1</b> is 21.89 acres. It abuts finished lots of Phases 2 and 3 of Potter Highlands and benefits from utility line extensions along its west boundary. This tract has street access from Potter Valley Road, Potter Highlands Drive and Finland Street. Topography is relatively level and at street grade for most of this parcel. As such, view amenity is restricted to mountain and partial ocean views.</p> <p><b>Parcel 2</b> is 34.09 acres and is on the south and east sides of Potter Valley Road. Developed lots of Southpointe Ridge are at its south boundary but no access or utility benefits accrue from the neighboring lots. Utility lines are at Potter Valley Road. Like Parcel 1, this tract will require water wells and engineered septic systems. Topography of Parcel 2 varies with a ridge toward the western boundary that will provide excellent ocean views once developed. The remainder of the lot will have mountain and partial ocean view amenities.</p>
<b>Zoning:</b>	Zoning is R-6 SL, single-family large-lot (one acre) residential use. The SL-Special Limitations clause refers to the AdvanTex Septic Treatment Systems, which will be required for each home site.
<b>Highest and Best Use:</b>	Highest and best use of both tracts is large-lot single-family residential development

**Effective Date of Appraisal:** November 3, 2022

**Date of Report:** December 9, 2022

By virtue of our inspection, investigation, analysis, it is the opinion of the appraiser that “as is” market value of the fee simple interest in the property, as described herein, as of November 3, 2022 is as follows:

<b>Parcel 1: Tract A-9 Potter Highlands Phase 3</b>	<b>\$720,000</b>
<b>Parcel 2: Tract A-1 Viewpoint South</b>	<b>\$950,000</b>

Our market value conclusions are based on a marketing period of up to twelve months assuming diligent efforts. Your attention is directed to the Certification and Assumptions & Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,



Gregory S. Wing, MAI  
State Certified General Real Estate Appraiser AK #204

# DEFINITION OF APPRAISAL PROBLEM

## IDENTIFICATION

The subject of this appraisal is two tracts of vacant land on Potter Valley Road in the Potter Creek development. This location is in southeast Anchorage Alaska, one mile above Potter Marsh. Finland Street is at the eastern boundary of both tracts.

Tax identification numbers are 020-282-10 (Parcel 1) and 020-281-46 (Parcel 2).

### Legal Description

The tracts are legally described as follows:

**Parcel 1:** Tract A-9, Potter Highlands Subdivision, Phase 3, according to the official plat thereof, filed under Plat Number 2018-10.

**Parcel 2:** Tract A-1, Viewpoint South Subdivision, according to the official plat thereof, filed under Plat Number 84-403.

Both parcels are recorded in the Anchorage Recording District, Third Judicial District, State of Alaska.

## PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the fee simple market value of the property “as is”.

## INTENDED USE OF THE APPRAISAL

This appraisal was prepared for Potter Creek Development LLC, the intended user. The intended use is for the owner’s evaluation of property values. There are no other intended uses or users.

## PROPERTY RIGHTS APPRAISED

The subject site is owned in fee with no leases in place. This is an appraisal of the fee simple interest in the subject real estate.

## PERSONAL PROPERTY<sup>1</sup>

The values presented do not include personal property, to include engineer studies or proposed subdivisions.

## APPRAISAL DATES

The subject property was inspected most thoroughly on November 3, 2022 and this is the date of the subject photographs. Accordingly, this is the effective date of the “as is” value of this appraisal. The report was prepared on approximately December 9, 2022.

## EXPOSURE & MARKETING PERIODS

Exposure time is 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 property is not listed for sale. A reasonable exposure time for the subject would be up to twelve months, assuming diligent efforts.

### Marketing Period

Most sale comparisons used in this appraisal sold in less than 12 months exposure time. The market value estimate for the subject property is predicated on a marketing time of up to 12 months.

## SCOPE OF WORK

In this assignment, the scope of work encompasses the research and analysis necessary to develop a credible appraisal conclusion in accordance with the intended use.

We focus on the approaches that best reflect market behavior and are supported by the most relevant market evidence. In this case, we developed the following analyses:

- Land Sale Comparison Approach

The appraisal adheres to the 2020-2022 USPAP as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the OCC, and to FIRREA. The report was also prepared in compliance with Potter Creek Development LLC’s appraisal instructions.

<sup>1</sup> IBID, Page 265

- The most thorough inspection was conducted on November 3, 2022 and this is the effective date of the appraisal.
- Municipality of Anchorage records were researched to determine zoning status of the subject property and surrounding land uses.
- State of Alaska records were reviewed for an indication of past property ownership.
- The owner provided property information.
- Sale comparables were obtained through searches of public records, interviews with property owners, managers and real estate professionals. A search was made throughout the area for comparable sales. The data was inspected and screened for comparability to the subject.
- Interviews were conducted with developers, brokers, buyers and sellers involved with the selected comparable sales and rental properties.

In the final reconciliation, we considered the available data and relevancy of each of the approaches to determine the most credible market value conclusion.

#### CURRENT OWNER AND SALES HISTORY

The subject is owned by Potter Creek Development, LLC, 561 East 36<sup>th</sup> Avenue, Suite 200, Anchorage, Alaska 99503.

Recorded public documents show no change in ownership of either tract in the three years prior to this appraisal.

Further, we are not aware of any sales, options or contracts for the subject in the three years immediately prior to this appraisal.

#### COMPETENCY STATEMENT

The appraiser, Gregory S. Wing, MAI has completed appraisals of similar properties throughout Alaska. A summary of appraisal experience and professional qualification is in the Addenda. The appraiser has the knowledge, education and experience required by the competency rule of USPAP to complete this assignment.

<sup>2</sup> Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62(f).  
Uniform Standards of Professional Appraisal Practice, Page 1-7  
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62

#### DEFINITIONS

##### Market Value<sup>2</sup>

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, 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 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 each acting in what he considers his own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in US 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.

##### "As Is" Value

An estimate of the market value of a property in the condition upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection.

##### "At Completion" Value

The market value at the effective date construction is completed or the certificate of occupancy is issued. This estimate of value reflects the impact of absorption time and the cost necessary to achieve stabilized occupancy.

##### "At Stabilized Occupancy" Value<sup>3</sup>

An estimate of the market value of a property at the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of

Office of the Comptroller of the Currency, 12 CFR part 34, Sec. 34.42

FDIC, 12 CFR Part 323, Sec. 323.2

Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2

NCUA, 12 CFR Part 722, Sec. 722.2

<sup>3</sup> Appraisal Institute. *The Dictionary of Real Estate*. 4<sup>th</sup> Edition. Chicago, 2002. Page 274.

time at terms and conditions comparable to competing offerings.

#### **Fee Simple Estate<sup>4</sup>**

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.

#### **Real Property<sup>5</sup>**

All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of real estate is endowed. In some states, real property is defined by statute and is synonymous with real estate.

### **EXTRAORDINARY ASSUMPTIONS**

**Definition:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions (USPAP, 2020-2022 Edition).

No soil studies were available for this assignment. *It is an extraordinary assumption of this appraisal that soil conditions of both tracts are economically suitable for residential subdivision development.* We reserve the right to adjust our value if this assumption is at a later point found to be false.

The appraisal includes no other extraordinary assumptions.

### **HYPOTHETICAL CONDITIONS**

**Definition:** a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis (USPAP 2020-2022 Edition).

The appraisal is not predicated on any hypothetical conditions.

---

<sup>4</sup> The Appraisal of Real Estate, Eleventh Edition, pp. 137

<sup>5</sup> IBID, Page 234.

## AREA ANALYSIS



Anchorage is Alaska's largest city with approximately 40% of the total population. The subject is located in the Municipality of Anchorage, which is situated within the Southcentral Region. A map of the Anchorage Bowl is included below. This section analyzes the forces of supply and demand that influence the value of real property. These forces are environmental, economic, governmental and social. The first part of this section focuses on Anchorage followed by more statewide issues and areas later in this chapter.



Both natural and man-made environmental forces influence real property values. Alaska has a total land area of 586,048 square miles and is one-fifth the size of the entire continental United States. Alaska has six distinct regions, each with its own economic profile. As noted, the subject is located on the Kenai Peninsula within the larger South-central region.

### ECONOMIC FORECAST

#### Anchorage Forecast for 2022

*The following excerpts were taken from the January 2022 Alaska Economic Trends Magazine:*

The COVID-driven downturn and recovery have headlined the economic story in Anchorage for the past two years, as they have almost everywhere. Even though 2020's "recession" was the nation's shortest historically, it was disproportionately disruptive and undoubtedly strange. Its still-uncertain aftereffects will be with us for years to come.

Anchorage moved into recovery mode in 2021, and most industries clawed back some of their pandemic job losses. A few moved close to or above pre-COVID levels, but most industries still have a way to go.

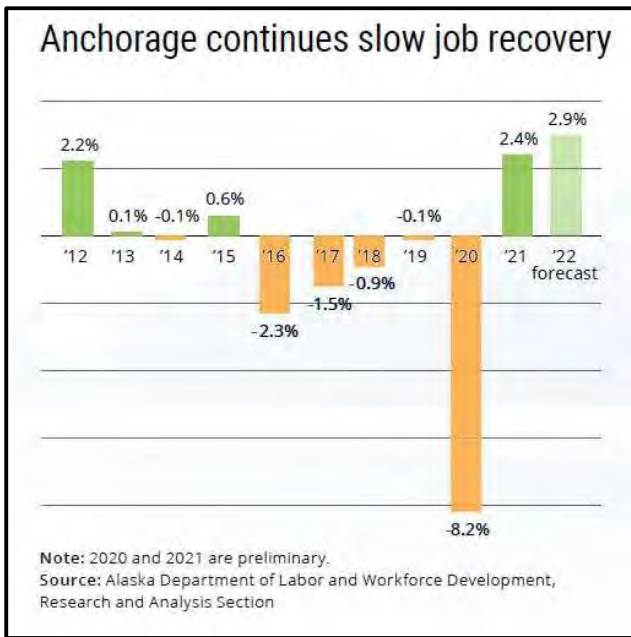
Anchorage also has an extra obstacle to overcome. The statewide economy grew for a single year in 2019, but the city hadn't begun to recover from the preceding three-year statewide recession when the pandemic hit. That means Anchorage had been losing jobs for five years in a row before 2021, so full employment recovery will take even longer.

Most of 2022's gains will be a recovery of 2020's pandemic-related losses, but a few prospects for additional growth are on the horizon. Parts of the new massive federal infrastructure bill could kick in this year, expectations for a strong tourism rebound are high, and rising oil prices are brightening the fiscal picture.

The labor shortage will continue to hamper job growth, however, and new COVID-19 variants remain a concern. The decline in federal pandemic relief payments to people and businesses will also act as a drag on the economy.

#### Infrastructure bill will boost construction, related services

The \$1.2 trillion federal infrastructure bill is all the construction industry can talk about, and with good reason — it will double Alaska's public airport construction funding and boost highway construction funding by 40 percent for the next four to five years. As the construction industry's Alaska headquarters, Anchorage will disproportionately benefit from infrastructure spending around the state.



could push Anchorage construction employment above its pre-COVID levels.

Privately funded construction faces a less-favorable environment. Teleworking and the surge of ecommerce put the need for future commercial and retail space into question, and the disruption of tourism clouded new hotel investments. One hotel under construction in Anchorage will open for the 2022 visitor season, however, and another hotel might break ground this year.

In 2021 and early 2022 Anchorage home sales were the strongest since 2005, and interest rates were near record lows, but these events did not stimulate new home construction. Anchorage permitted just 298 new housing units through November of 2021; for that period in 2020, it was 415. New housing construction has been modest for five years, and 2022 will probably be the sixth.

While most of the stimulus will come after 2022, the bill will be a plus this year after seven years of small state capital budgets and slow private construction. To clear its calendar for infrastructure projects, the Department of Transportation and Public Facilities may fast-track some projects it had on the books for future years. That

Other construction prospects for 2022 include air cargo projects scheduled at the airport. The infrastructure bill is as big of a gift for professional and business services as it is for the construction industry. An uptick in the construction and oil industries signals more activity for

### The outlook for jobs in Anchorage, by industry

					JOBS FORECAST		
	Monthly avg, 2020 <sup>1</sup>	Monthly avg, 2021 <sup>1</sup>	Change, 2020-21	Percent change	Monthly avg, 2022	Change, 2021-22	Percent change
<b>Total Nonfarm Employment<sup>2</sup></b>	<b>138,900</b>	<b>142,300</b>	<b>3,400</b>	<b>2.4%</b>	<b>146,400</b>	<b>4,100</b>	<b>2.9%</b>
<b>Total Private</b>	<b>111,700</b>	<b>115,100</b>	<b>3,400</b>	<b>3.0%</b>	<b>119,000</b>	<b>3,900</b>	<b>3.4%</b>
Mining and Logging	2,400	2,000	-400	-16.7%	2,100	100	5.0%
Oil and Gas	2,200	1,600	-600	-27.3%	1,800	200	12.5%
Construction	7,000	7,300	300	4.3%	7,800	500	6.8%
Manufacturing	1,900	1,900	0	0%	2,000	100	5.3%
Transportation, Trade, and Utilities	30,000	31,000	1,000	3.3%	31,800	800	2.6%
Wholesale Trade	4,700	4,500	-200	-4.3%	4,600	100	2.2%
Retail Trade	15,100	15,300	200	1.3%	15,700	400	2.6%
Transportation, Warehousing, and Utilities	10,300	11,200	900	8.7%	11,500	300	2.7%
Information	3,000	2,900	-100	-3.3%	2,900	0	0%
Financial Activities	6,900	7,200	300	4.3%	7,200	0	0%
Professional and Business Services	16,600	16,800	200	1.2%	17,100	300	1.8%
Educational (private) and Health Services	25,700	26,400	700	2.7%	26,800	400	1.5%
Health Care	20,400	20,900	500	2.5%	21,200	300	1.4%
Leisure and Hospitality	13,300	14,300	1,000	7.5%	16,000	1,700	11.9%
Other Services	4,900	5,300	400	8.2%	5,300	0	0.0%
<b>Total Government</b>	<b>27,300</b>	<b>27,200</b>	<b>-100</b>	<b>-0.4%</b>	<b>27,400</b>	<b>200</b>	<b>0.7%</b>
Federal, except military	8,600	8,400	-200	-2.3%	8,300	-100	-1.2%
State, incl. University of Alaska	9,500	9,800	300	3.2%	9,600	-200	-2.0%
Local and tribal, incl. public schools	9,200	9,000	-200	-2.2%	9,500	500	5.6%

<sup>1</sup>Preliminary estimates. <sup>2</sup>Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.  
Note: May not sum because of rounding  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Anchorage's forecasted recovery to pre-pandemic levels, by industry

	2019 jobs	2022 forecasted	Forecasted recovery
<b>Total Nonfarm Employment</b>	<b>151,300</b>	<b>146,400</b>	<b>97%</b>
<b>Total Private</b>	<b>123,300</b>	<b>119,000</b>	<b>97%</b>
Mining and Logging	2,700	2,100	78%
Oil and Gas	2,500	1,800	72%
Construction	7,700	7,800	101%
Manufacturing	2,100	2,000	95%
Transportation, Trade, and Utilities	32,600	31,800	98%
Wholesale Trade	4,900	4,600	94%
Retail Trade	16,500	15,700	95%
Transp. Warehousing, Utilities	11,200	11,500	103%
Information	3,300	2,900	88%
Financial Activities	7,300	7,200	99%
Professional and Business Services	17,800	17,100	96%
Educational (private) and Health Svcs	26,800	26,800	100%
Health Care	21,000	21,200	101%
Leisure and Hospitality	17,700	16,000	90%
Other Services	5,400	5,300	98%
<b>Total Government</b>	<b>28,000</b>	<b>27,400</b>	<b>98%</b>
Federal, except military	8,400	8,300	99%
State, incl. University of Alaska	9,700	9,600	99%
Local and tribal, incl. public schools	10,000	9,500	95%

Note: May not sum because of rounding. Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

architectural, engineering, environmental, and other consulting services as well. These services are involved in the construction planning phases, so they will benefit early from the new funding.

### Oil industry won't play a big recovery role

In early 2020, statewide oil industry employment fell from around 10,000 to a low of 6,100 in late 2020. Prudhoe Bay employment plunged to 2005 levels and hasn't improved much since.

But higher oil prices will breathe new life into the industry in 2022. The average current price is in the \$80-\$90 per barrel range, and the outlook for worldwide petroleum demand is strong.

This suggests modest employment gains for Anchorage's oil industry in 2022, and those direct job numbers reflect only a small part of this industry's impact on the city's economy. Many Anchorage residents work in the oil fields, and local businesses cater to this activity. Still, the oil industry won't play a major role in the city's job recovery this year.

Retail is unlikely to fully recover, but it will add jobs this year. Retail struggled long before the pandemic as ecommerce grew, and the 2015-2018 state recession didn't help. A long list of large and small Anchorage retailers closed their doors before 2020.

Surprisingly, the past two years haven't brought additional big closures, although retail employment fell nearly 8.5 percent in 2020, making it the second-largest job-loser at 1,400. By the second quarter of 2021, retail had recovered some of those losses but remained about 1,200 jobs below 2019. We forecast additional gains for 2022, but not enough to reach pre-COVID levels. Ecommerce and the tight labor market will continue to restrict industry growth.

### Expectations are high for a record visitor season

The "visitor rapture of 2020" didn't repeat in 2021. While Anchorage didn't get any cruise ships or major conventions, last year was the year

of the independent visitor. Vaccines and pent-up demand brought many travelers to the Anchorage area, and some visitor-related businesses posted record or near-record sales.

Hotel receipts more than doubled during the first three quarters of 2021 from that period in 2020, falling just 3 percent shy of 2019's sales. Hotel occupancy between May and October was just 1 to 5 percent below 2019. Average daily room rates rose in nearly all months last year.

Car rental sales more than doubled from 2020, topping 2019's sales by 28 percent.

By July, air passenger traffic was just 13 percent below July 2019 levels. For comparison, some months in 2020 were over 80 percent lower. More air travel was good news for many Anchorage industries, including leisure and hospitality.

Visitor industry optimists predict a record year, assuming most cruise traffic resumes and another strong contingent of independent travelers materializes.

Calculations for 2022 also assume pent-up demand to travel is still a factor.

Convention traffic won't reach 2019 levels, but it will improve with more in-state activity. Recovery for the national slice of convention business will take longer. The industry's biggest worry this year is recruiting an ample workforce to meet the demand.

improved considerably. By June, employment was up 1,600 from the same month in 2020.

We forecast double-digit growth for Anchorage's leisure and hospitality industry this year, of which about two-thirds of jobs are in eating and drinking.

**Transportation industry set to break records in 2022**

Transportation is one of the few Anchorage industries that will likely break records this year, especially given the positive predictions for the visitor season. The industry took a big hit in 2020, but 2021 restored its loft. As mentioned earlier, passenger traffic through Anchorage's international airport bounced most of the way back in 2021.

Air cargo, another category that's critical in Anchorage, has also thrived with more e-commerce, pushing air transportation and courier job numbers even past 2019 levels. Trucking has also exceeded its pre-COVID job numbers, for similar reasons. Finance sector remains solid with a healthy housing market. Finance includes real estate and its connected businesses, such as mortgage brokers, title companies, banking and credit unions, insurers, property managers, and brokerage houses.

The balance sheets for most Anchorage financial institutions remain solid. The stock market is strong, and real estate is one of the few industries that barely wavered with the pandemic, instead flourishing over the last two years.

Home sales were strong in 2020 and even stronger in 2021. Through September, 3,716 Anchorage homes sold, up from 3,055 in 2020. Dollar volume rose from \$1.1 billion in 2020 to \$1.4 billion in 2021, and average prices also increased.

The federal government distributed \$121 million to 14,386 applicants (representing 37,613 Anchorage residents) through its pandemic rental assistance program between March, when the program began, and December. We forecast steady employment for the financial sector as these trends carry into 2022.



**Strong growth for bars and restaurants after pandemic lows**

Bars and restaurants everywhere were the most visible casualties of the pandemic, and in 2020, 21 percent of their employment in Anchorage evaporated (about 2,400 jobs).

Year-over-year losses continued into March 2021, but with spring came the easing of restrictions and higher vaccination rates. Locals returned to their favorite eateries and watering holes alongside the independent tourists who returned last year, and the numbers

### **Health care to resume growth after pandemic broke its streak**

Health care is the city's largest private-sector employer, and half of Alaska's health care jobs are in Anchorage. Anchorage depended on health care for a disproportionate amount of its job growth for years, a trend that broke in 2020 with a modest loss of around 600 jobs, especially in ambulatory care such as practitioners' offices and outpatient surgery. But with vaccines, better testing, and easing contact concern, job numbers began to improve in late 2020 and approached full recovery by the end of 2021.

We forecast growth in 2022 as pent-up demand and the continued aging of Anchorage's population lead more residents to seek these services.

### **Lower school enrollment, more state government loss this year**

Most local government fluctuation over the last two years was in the Anchorage School District, which has three-quarters of all local government jobs.

Schools used online learning or a hybrid during parts of 2020 and 2021, so school employment shrank. The district hired far fewer substitute teachers and a portion of the nonteaching staff didn't return to work.

Schools reopened in August 2021 and employment began to return, but falling enrollment complicated that picture, as fewer students typically mean less funding for the subsequent school year. Although the number of students attending this fall was up from the year before, when it had dropped by nearly 9 percent from the first pandemic year, the total number of students in the school district decreased over two years from 46,192 to 43,086.

The rest of local government jobs are in the Municipality of Anchorage, which lost some jobs in 2021 because the city sold Municipal Light and Power to Chugach Electric in October 2020. The sale didn't cause any net job loss, but it transferred 200 city employees to the private sector.

Local government probably won't recover its pre-pandemic job levels this year because municipal employment is unlikely to change much, and the Anchorage School District won't regain its 2019 employment levels.

Total state government employment crept up in 2021. Although the University of Alaska Anchorage lost jobs again in 2021, declines were less severe than the previous two years and general government grew

enough to offset the drop. Some of the new jobs were COVID-related and will probably go away in 2022.

State of Alaska finances are in better shape for 2022 because of higher oil prices and healthy Alaska Permanent Fund earnings, leading to a relatively stable employment forecast.

Federal government employment fell modestly in 2021 because temporary 2020 Census-related jobs ended. We forecast little change in federal job levels this year.

### **Unemployment**

The unemployment rate in Anchorage, as of October 2022 was 3.1%; statewide unemployment was 4.5%. Both rates show a 1.5% improvement from the same period in 2021. The comparable U.S. rate was 3.7%.

### **Consumer Price Index**

The consumer price index (CPI-U) measures inflation by comparing the costs of a certain bundle of goods on an annual basis. The following table shows the percentage change in the CPI index over the last 19 years for both Urban Alaska (Anchorage) and the U.S. City average.

Percent Change in the Consumer Price Index		
Year	Anchorage	U.S. Avg.
1995	2.9%	2.8%
1996	2.7%	3.0%
1997	1.5%	2.3%
1998	1.5%	1.6%
1999	1.0%	2.2%
2000	1.7%	3.4%
2001	2.8%	2.8%
2002	1.9%	1.6%
2003	2.7%	2.3%
2004	2.7%	2.7%
2005	3.1%	3.4%
2006	3.2%	3.2%
2007	2.2%	2.8%
2008	4.6%	3.8%
2009	1.2%	-0.4%
2010	1.8%	1.6%
2011	3.2%	3.2%
2012	1.9%	2.1%
2013	2.7%	1.5%
2014	1.6%	1.6%
2015	0.5%	0.1%
2016	0.4%	1.3%
2017	0.5%	2.1%
2018	3.0%	2.4%
2019	-0.3%	1.9%
2020	0.3%	1.2%
2021	6.3%	6.0%
2022	7.6% est.	7.7% est.

After a decade of low inflation, Alaska and the nation are experiencing a surge in price increases. To head off inflation, the fed has increased interest rates in the last 10 months from near 2% to 7%.

Costs of borrowing are a price determiner for income-producing properties. While the current situation may be short or long lived, we have yet to see an impact on capitalization or yield rates in market response. As yet, the increases have not affected commercial property prices.

### Economic Forces - Conclusions

Anchorage is still an oil-based economy, and decreased jobs and revenues in this sector have significant impacts on spending and market confidence. In recent years, tourism, transportation and retail trade have grown, helping diversify the economy to less dependence on the oil industry. With tourism reeling from effects of the pandemic, this pillar of the economic table has lost its footing.

Continued cutbacks in oil exploration and government spending will likely prevent significant increases in per capita income.

### POPULATION

The social forces studied by appraisers primarily relate to population characteristics.<sup>6</sup> Approximately 41% of Alaska's population reside in the Municipality of Anchorage. Expansion and contraction in the Anchorage area population has mirrored the major economic events in the city's history.

Bedroom communities of Eagle River, Chugiak, Girdwood and JBER fall within the Municipality of Anchorage and are important for retail trade and services demand.

Within the Anchorage/Mat-Su region, there are just over 400,000 people. About 106,000 are in the growing Mat-Su area and 290,000 are in Anchorage, Girdwood and Eagle River.

The next table shows reported annual population estimates for the Municipality of Anchorage and the state of Alaska. Statewide population peaked at nearly 740,000 in 2016. It is 0.7% lower in July 2021.

In Anchorage, population numbers peaked at just over 300,000 in 2013 and have fallen almost 4% since then (latest figures are July 2022). Only the pace of births over deaths (natural increase) kept population levels nearly flat. Figures 2017-2021 show more people left the area than moved into it.

<sup>6</sup> The Appraisal of Real Estate, Eleventh Edition, p. 48

	Anchorage	% Δ	Alaska	% Δ
1990	226,338	- - -	553,171	- - -
1991	235,626	4.1%	569,054	2.9%
1992	244,111	3.6%	586,722	3.1%
1993	249,440	2.2%	596,906	1.7%
1994	253,503	1.6%	600,622	0.6%
1995	252,729	(0.3%)	601,581	0.2%
1996	253,234	0.2%	605,212	0.6%
1997	254,752	0.6%	609,655	0.7%
1998	257,260	1.0%	617,082	1.2%
1999	259,391	0.8%	622,000	0.8%
2000	260,283	0.3%	626,931	0.8%
2001	264,886	1.8%	632,200	0.8%
2002	267,860	1.1%	640,643	1.3%
2003	273,069	1.9%	647,884	1.1%
2004	277,880	1.8%	657,483	1.5%
2005	278,407	0.2%	664,334	1.0%
2006	283,348	1.8%	671,202	1.0%
2007	282,968	(0.1%)	676,056	0.7%
2008	283,912	0.3%	681,977	0.9%
2009	290,588	2.4%	692,314	1.5%
2010	291,826	0.4%	710,231	2.6%
2011	295,920	1.4%	722,818	1.8%
2012	298,308	0.8%	731,191	1.2%
2013	300,780	0.8%	735,662	0.6%
2014	300,549	(0.1%)	735,601	(0.01%)
2015	298,908	(0.5%)	737,625	0.3%
2016	299,037	0.0%	739,828	0.3%
2017	297,751	(0.5%)	737,080	(0.4%)
2018	295,365	(0.8%)	736,239	(0.2%)
2019	291,845	(0.1%)	731,007	(0.1%)
2020	288,970	(0.1%)	728,903	(0.3%)
2021	289,697	0.3%	734,323	0.7%

Sources: U.S. Census (1990 and 2000), Alaska Department of Labor (other years)

## NORTH PACIFIC ADVISORS - SUMMARY

2021 was a tough year by all accounts but in many respects was an improvement over 2020. The big question going forward is what will 2022 be like?

Alaska's economy is slowly getting back in gear thanks partly to massive infusions of federal aid – \$2.8 billion in 2020 and 2021, according to estimates by the University of Alaska's Small Business Development Center.

Air travel to Alaska increased in 2021 and should increase again in 2022. Anticipating another strong season for independents, airlines have laid on a large number of summer flights, so there will be ample seat capacity.

Oil and gas employment is still down from pre-pandemic 2019, at 6,300 in November. That's less than half of workers in the Alaska industry in 2015.

Jobs in petroleum are the most highly paid in the state.

Overall, the recovery from COVID-19 has been slower than expected in 2021 for reasons such as stalling vaccination rates, the Delta variant, and labor shortages.

The damage done to the economy also brought into focus deeper issues tied to four straight years of net outmigration from the Alaska. 2021 was the first year with a positive net population gain but not by much. Getting COVID-19 numbers under control is a top priority to Alaska's economic recovery. Fears about returning to work in often low-paying, public-facing positions is part of the reason that nearly 30,000 Alaskans who were working before the pandemic have not returned.

Despite the labor shortfall, there has been growth in 2021 and 2022.

One of the most significant bright spots for the economy comes from the federal infrastructure package. Alaska is guaranteed at least \$5.3 billion over the next decade, a slower rollout than federal rescue packages intended for short-term economic boosts.

Going forward for 2022 and beyond, the Anchorage real estate market is best characterized as cautiously optimistic as long as businesses find a way to stay open and to make a profit. Alaska also needs to find a way to attract workers to the state for all the new projects expected from the infrastructure package and tourism related seasonal work. Market participants are keeping a close eye on Covid-19 cases, population trends and oil prices.

## MARKET ANALYSIS

**T**he subject of this appraisal is two tracts of residential land on Potter Valley Road in Southeast Anchorage. This section of the appraisal report focuses on several dynamics of the Anchorage residential market: This chapter will focus on the following issues.

1. Demand for new housing based on population growth.
2. New housing construction trends.
3. Current inventories and home sales.

### POPULATION & HOUSING DEMAND

Alaska's population increased for the fiscal year ending July 2021, with net births outpacing out-migration, but only barely. The Alaska Department of Labor and Workforce Development estimates an increase of 932 people, or 0.1 percent, from April 2020 to July 2021. This was the first increase since 2016.

Twenty-one of Alaska's thirty boroughs and census areas lost population over the period. Fairbanks grew the most, gaining 1,860 people, followed by the Matanuska-Susitna Borough (1,724). Anchorage lost the most, down by 1,550 during the fiscal year.

Despite slight overall growth, net migration (in-migrants minus out-migrants) accounted for a loss of 4,398 people. Alaska has lost more movers than it's gained every year since 2013, but losses slowed during the pandemic as fewer people moved nationwide.

Alaska's birthrate generally continues to decline, and more people have been moving out of Alaska than into it, according to a new annual estimate from the Alaska Department of Labor and Workforce Development.

According to the 2020 Census Alaska's population grew by 3.3% over the past decade which is far below the national rate.

The trajectory of Anchorage's population in 2023 and beyond will depend largely on the rate of economic recovery from the impacts of COVID-19 in Alaska relative to the Lower 48. If Anchorage's recovery lags behind the national economy, the city's population can be expected to continue declining. 33

#### What is the outlook for future population growth?

In recent years, population increases have been small, averaging 1.2% since 2000 and just 0.3% since 2005.

This population growth pattern has been consistent with the overall economic growth of the city. With employment continuing to trend down in 2018, AEDC anticipates further decline this year of about 500 residents. As the local employment picture stabilizes, AEDC expects Anchorage's population to hold steady in 2019 and 2020 before showing a modest increase of 500 residents in 2021. In the long term, we project the state will add about 100,000 people to its population by 2045 through a combination of natural increase partly offset by small net migration losses.

#### What will population growth mean in terms of new housing demand?

Anchorage had a building boom between 2002 and 2007, during which it added nearly 3,300 new multi-family units. After that, construction slowed to an average of just under 200 new multi-family units per year. The vacancy rate hit a low of 1.8 percent in 2010, then began to climb again and has been on the rise since. This year's rate is the highest in the past 10 years and well above Anchorage's decade average of 3.5 percent. Low interest rates have helped keep sales prices steady during the recession despite no real wage growth and lower sales volume. Rates have held around 4 to 5 percent for the last five years.

#### Housing Stock

The 2020 Census (U.S. Census Bureau) found 119,276 housing units in the Municipality of Anchorage. Between 1987 and 1991, there was almost no multifamily construction. Most of the area's housing was built between 1970-1986. Thus, excluding the new construction discussed below, almost all of the multi-family apartments and condominiums in Anchorage are at least 15 years old. Demand for new housing construction resulted in moderate increases in local housing stock of 1.2% to 1.5% annually in the early to mid-2000s, reaching the current total inventory. During the past few years, roughly 30% to 40% of the new housing units were classified as multi-family.

### NEW HOME CONSTRUCTION

The greatest portion of new housing construction has been in the single-family market. Between 1991 and 1996, only about 15% of housing construction (870 units) was in multi-family properties including apartments and condominium or townhouse projects.

This trend changed as townhouses and zero-lot line properties became popular in the early part of the decade, in 2002, permits were issued for more than

1,400 townhouse units. This trend is over as governmental pressure and scarcity of land are encouraging higher density development.

At the end of 2021, Anchorage home sales were the strongest they've been since 2005, and interest rates remain near record lows, but these haven't stimulated new home construction. Anchorage permitted just 298 new housing units through November of 2021; compared to the same period in 2020, which was 415. New housing construction has been modest for five years, and 2022 will probably be the sixth.

According to AEDC president and CEO Bill Popp at the Anchorage Economic Development Corp March 1, 2022 Luncheon. "There's basically next to no construction in Anchorage for single-family homes, even multifamily," he said. "It's been a challenging time for housing developers to find a path forward. That's why we have such a tight market, with multiple bids for houses, because not many houses are on the market." Still, housing sales were strong last year, he said. They were also strong the year before.

In the construction industry, the report says:

- Residential construction fell last year by 7% compared to 2020, including money spent for remodeling.
- Anchorage building permit valuations totaled \$407 million, down 13% from 2020, largely driven by the winding down of projects such as earthquake repairs for Gruening Middle School in Eagle River, the forecast said.
- Commercial permit values rose from 2020 but still trail pre-pandemic levels.

Amid continued uncertainty about the supply chain and rising labor and material costs, the construction industry should add about 200 jobs this year, about the same as last year, the forecast says. The overall job count in construction should reach 7,300, about 400 jobs below 2019 levels.

### Sale Market Conditions – New Construction

Multiple listing service shows 160 new construction house listings, pending and closed sales in through November 21, 2022, as illustrated on the next graph.



The average price for closed sales was \$733,580 or \$302/SF. Average agent days on market was 106 days.

For the same time period in 2021, there were 188 houses sold and the average price was \$662,681. Average agent days on market was 100 days.

### Housing Construction Trends

According to Municipality of Anchorage Building Safety office (Permit Activity Reports), permits for 310 total units were permitted in 2021, a decrease of 28% from 2020, but down only slightly from 2019's 323 units. Single family construction held steady at 203 permits in 2021.

The following table shows permitting activity in Anchorage from 2014 to 2021.

Residential Building Permits Issued in Anchorage								
Year	2014	2015	2016	2017	2018	2019	2020	2021
<b>Single</b>	293	276	190	196	193	185	202	203
<b>Duplex</b>	176	116	56	104	72	72	82	56
<b>Multi</b>	299	369	95	160	145	66	145	51
<b>Total</b>	<b>768</b>	<b>761</b>	<b>341</b>	<b>460</b>	<b>410</b>	<b>323</b>	<b>429</b>	<b>310</b>

Through September 2022, the city has issued permits for 220 housing units, including 160 for single family dwellings. These figures are **down 8%** from 239 units permitted during the same period in 2021.

### Summary

Factors such as an unstable local economic climate, rising interest rates, and a decreasing population due to net migration has created an uncertain housing market.

Interest rates rose significantly in 2022 while the Fed keeps reins on inflation. There is uncertainty if rates which direction rates will go in 2023.

Anchorage and Alaska as a whole are in the midst of an economic downturn as a result of low oil prices and reduced production.

Considering current residential market conditions, market participants are keeping a watchful eye on housing sales and the demand for new homes.

Home builders and land developers require an inventory of land for future projects. In spite of the statistics and economic reports, developers are still purchasing land in Anchorage. In the Sales Comparison Approach, we consider land sales that reflect market conditions in effect as of the date of this appraisal.

# REAL ESTATE TAXES & ZONING

**R**eal estate taxes and zoning issues are discussed in the following paragraphs. The following information is based on information provided by the Municipality of Anchorage.

## REAL ESTATE TAXES

Effective date of tax assessment is January 1 of each year. State statutes require all real estate in Alaska be assessed at “full and true value” for real estate tax purposes, and this terminology is usually interpreted as synonymous with market value as defined in this report.

In practice, assessed values tend to be lower than market value, although this is not always true.

The Municipality of Anchorage identifies the subject property as tax parcel numbers 020-282-10 and 020-281-46. Shown below are the 2022 assessed values and real estate taxes for the property.

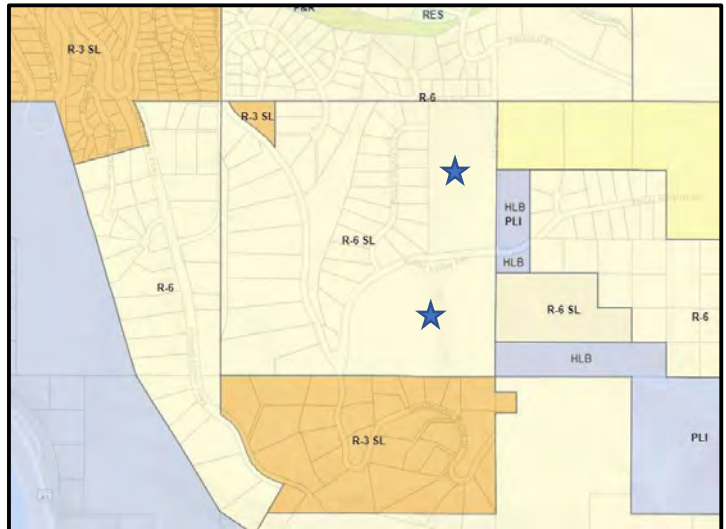
	<b>2022 Assessed Value</b>	<b>per acre</b>	<b>Mill Rate</b>	<b>Taxes</b>
<b>Parcel 1</b>	\$472,600	\$21,590	16.84	\$7,959
<b>Parcel 2</b>	\$536,400	\$15,735	13.69	\$7,343

Figures shown are based on the certified assessment values of January 1, 2022.

Parcel 1 is in Tax District 03, and across Potter Valley Road, Parcel 2 is in Tax District 42. Mill rates are 16.84 and 13.69, respectively. District 03 pays Fire Service and Parks & Recreation taxes while District 42 does not.

Upon development, we would anticipate an increase in District 42 mill rates in conjunction with increases in municipal services for Parcel 2.

The sale comparisons used in this appraisal were assessed at an average of 73% of the sale prices – but the range was from 36% to 153%. Typically, we find larger land parcels in Anchorage tend to be under-assessed on the order of 20% to 30%.



## SPECIAL ASSESSMENTS

According to the Municipality of Anchorage, there are no outstanding special assessments levied against the subject tracts.

## ZONING DESCRIPTION

Zoning for the subject is R-6 SL, Low Density Residential District with Special Limitations. The definition for R-6 SL as defined by the new 2014 Municipal Code is as follows:

*The **R-6** district is intended primarily for single- and two-family large-lot residential areas, with gross densities of up to one dwelling unit per acre. The R-6 is designed to encourage low- density residential development. This district is intended to protect and enhance those physical and environmental features that add to the desirability of large-lot residential living. The availability of infrastructure and municipal services is varied.*

Minimum lot size under this zoning is one acre or 43,560 SF.

### **Special Limitations**

Special limitations relate to requirements for a AdvanTex Septic System. Each parcel is required to have an AdvanTex Septic System, which has an advanced filtration system that separates sewage and processes the effluent for release into the ground. This system typically has a higher cost than a typical septic design with tank and leech field or holding tank.

Due to limited fire department services, new construction in the area requires fire sprinklers.

Construction costs are higher in this district due to the required advanced septic systems and fire sprinklers.

### **Surrounding Zoning**

Land surrounding the appraised tracts is zoned for residential use or public parks. The R-3 SL district south of Parcel 2 is developed with large-lot single family residences, not multi-family as the R-3 zoning would imply. Zoning restrictions and practical use of the surrounding land is compatible with the appraised property's R-6 zoning.

### **Impact of Zoning**

Zoning restrictions in the area serve to promote homogenous development that ultimately protects and enhances home site values.

Development of the subject to single family lots above an acre in size is consistent with R-6 zoning requirements and is compatible with nearby land uses.

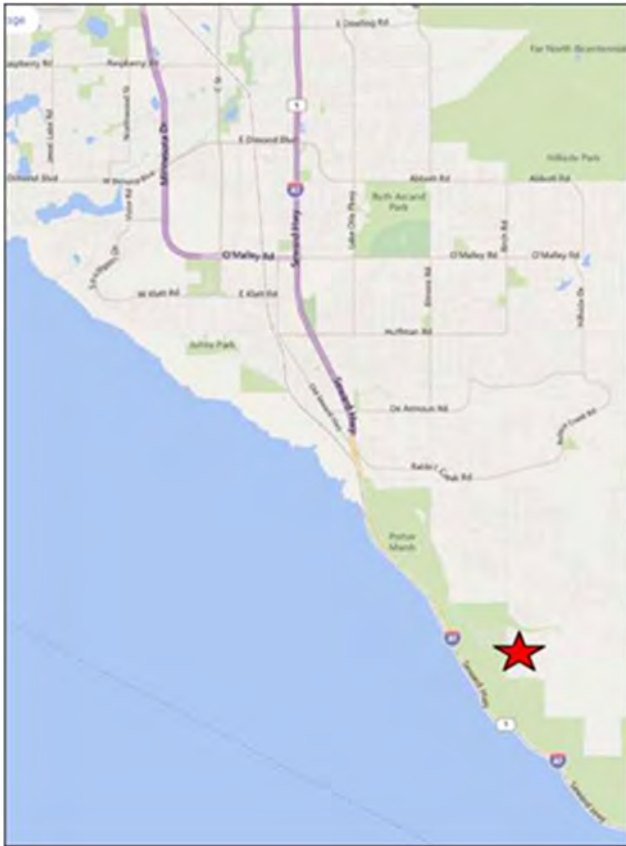
## NEIGHBORHOOD DESCRIPTION

**I**n this chapter, we describe and analyze the neighborhood and how the subject relates to surrounding properties. This analysis includes surrounding developments, neighborhood homogeneity and linkages that may detract from or enhance property value.

### NEIGHBORHOOD BOUNDARIES

The tracts are part of the larger Potter Creek residential development located in Southeast Anchorage Hillside about a mile east of Potter Marsh. This location is east of the Seward Highway and south of Rabbit Creek Road.

The area is considered rural residential with large tracts of undeveloped land as shown on the aerial to the right. This area is about five miles southeast of the nearest retail district area at Carrs Huffman Shopping Center. The boundaries include the Seward Highway to the west, Finland Street to the east, Southpointe Ridge Drive to the south and England Avenue to the north.



### Streets

Access to both tracts is possible via Potter Valley Road from the Seward Highway about 10 miles south of downtown Anchorage.

Parcel 1 fronts Potter Valley Road, Finland Street and England Avenue. It is at the north terminus of Potter Highlands Drive. Access will likely be limited to Potter Highlands Drive and Potter Valley Road.

Parcel 2 fronts Potter Valley Road only. It rises at a steep slope from the road at the western reach.

Seward Highway is the main north-south highway that Anchorage with Turnagain Arm and the Kenai Peninsula. The subject tracts have access to the whole of Anchorage via the Seward Highway.

Potter Valley Road is a two-lane arterial that provides access to several Potter Creek phases on the way to the subject and beyond.

### Linkages

This location is five miles southeast of the Carrs Huffman Shopping Center, which is the nearest retail district. Seward Highway, the only major north-south provides access to employment, shopping and education centers in Anchorage. Linkages are rated as good.

### Surrounding Properties

Residences in the area show a variety of price and quality ranges depending on views and topography. The area was first developed in the 1950s and 1970s but with only small homestead properties on large tracts.

Potter Creek, a multi-phase residential development, began in the 1980s and stalled for a time while the economy went through recession from 1986 to 1991. The project is unique in that the early phases offered community water and city sewer services, paved streets and outstanding views of Turnagain Arm and city lights.

Later phases of the development are higher on the hillside and lack public/community utilities. Large lots of one-acre or more are needed to accommodate wells and engineered septic services.

Anchorage Hillside Rugby Grounds are just across Finland Street from Parcel 1. The area is also near access points to Chugach State Park.

### **Schools and Churches**

Schools serving this area include Goldenview Middle School and Bear Valley Elementary School as well as Huffman Elementary School further north. South Anchorage High School is located further north just off Elmore Road.

Churches in the area include Anchorage Grace Church, Life Church, Trinity Presbyterian Church, Cliffside Community Chapel, South Anchorage Assembly and Saint Elizabeth Ann Seton Church.

### **Conclusion**

Larger tracts of developable residential land in Anchorage are becoming scarce due to the physical and military boundaries. This is especially true when considering soil conditions and full utility services.

Hillside parcels are attracting developers and builders – as demonstrated by the land sale comparisons used in this appraisal.

The two subject tracts are in a neighborhood that has proven successful in attracting builders and homeowner/builders. We expect demand to continue with future development of the subject parcels.

## PROPERTY DESCRIPTION AND ANALYSIS

**L**

and can be raw or improved; whereas a site is land that is improved for a specific use. In this chapter we analyze land and site characteristics that influence market value.

This analysis provides the basis for determining highest and best use and helps in identifying and selecting comparables suitable for the land valuation analysis.

### Utilities

Electrical and natural gas lines are available to both parcels along Potter Valley Road. Lines were extended as part of Phase 3 Potter Highlands to the benefit of Parcel 1.

Municipal water and sewer do not serve this area.

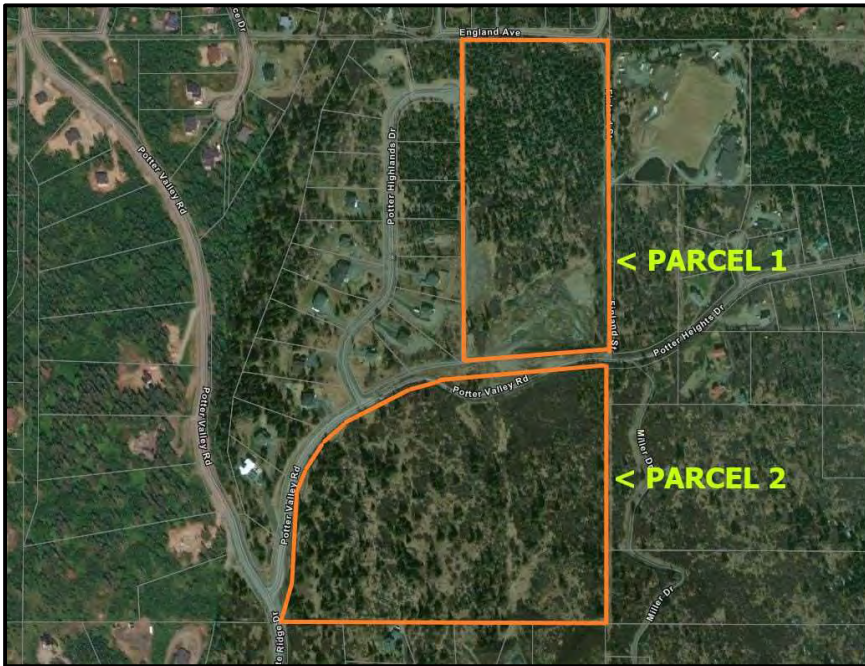
Development of the land will require water wells and septic systems. Plat notes for Parcel A-9 state use of a Category III Nitrogen Reducing wastewater system is required for the development of each lot in the subdivision.

### Topography and View

Land in the area has a general slope from toward the west and the waters of Cook Inlet.

Parcel 1 has generally level topography with a slight slope to the west. Developed lots will have mountain views and partial views of Cook Inlet.

Parcel 2 has a north-south ridge on its western half that drops to a lower area through its center. Lots on the western reach will have excellent view amenities while lots toward the east will be limited to mountain views of Bear Valley.



The following information is based on a review of utility maps, flood hazard maps, Municipality of Anchorage records and recorded plats. Subject photographs are included at the end of the chapter.

### SIZE AND SHAPE

Parcel 1 is part of Potter Highlands Phase 3 and is the remainder tract from the last phase of lots. It is approximately rectangular with dimensions of 662 feet by approximately 1,326 feet, or 953,550 SF. Land area is 21.89 acres.

Parcel 2 is part of the Viewpoint South Subdivision. It has a wedge shape. The 1984 plat map shows a land area of 1,485,003 SF or 34.09 acres. Updated municipal records show an area of 1,484,960 SF, a difference of 43 square feet. We use the Municipality of Anchorage size in our calculations, noting the difference is nominal.

### Soil Conditions

Previous studies of soil conditions found organics at about one foot and silty sands and gravel to depths of around 11 feet. No groundwater or bedrock was found up to depths of 16 feet. Native materials present on the site were found to be capable of supporting the proposed pavement sections.

### Easements

Plat maps and notes show easements on both parcels, especially on Parcel 1.

Highlighted plat notes are included on the next page.

Parcel 1 easements include:

- Perimeter easements for telephone, electricity and natural gas on all but the south boundary
- 15 to 20-foot trail easement along the western tract boundary

- 60-foot public use easement near north end of site
- 60-foot drainage easement at north end of tract

Parcel 2 easements are limited to a 10-foot telecom and electric easement along the south and east boundaries. There is also a small (232 SF) public use easement at the southwest corner that overlaps the electric easement.

Plat notes for Parcel 1 are shown below.

#### Notes:

- 1-1/4" plastic caps on 5/8"x 30" rebar set on all lot corners unless otherwise noted.
- Distances shown to the foot are to that foot (i.e. 50'=50.00').
- All perimeter bearings and distances are record and measured as per Plat 2015-10.
- Easements by document are not being dedicated this plat.
- All landscaping within individual lots shall be maintained by the property owner or his/her designee.
- All lots within the subdivision shall conform to the elevations and drainage patterns shown on the grading and drainage plan approved by the Municipality of Anchorage, as applicable.
- Property owners or utilities shall not raise, lower, or re-grade the property in a manner that will alter the drainage patterns from those shown on the approved grading and drainage plan without prior approval from Municipality of Anchorage Building Safety Office.
- Property owners or utilities shall not obstruct, impede or alter approved drainage facilities (e.g. swales, ditches) in any way that will adversely impact adjacent properties or rights of way.
- The use of a Category III Nitrogen Reducing wastewater system is required for the development of each lot in the subdivision.
- The wetland boundary shown hereon is per the approved U.S. Army Corps of Engineers Jurisdictional Determination dated July 11, 2011, file number POA-2011-273. Authorization from the U.S. Army Corps of Engineers - Regulatory Branch is required prior to the issuance of any building permit for development within wetlands. Corps of Engineers approval is also required for the construction of onsite water and wastewater systems in wetland areas.
- This property is subject to an easement granted to Potter Creek Homeowners Association for the use and enjoyment of satellite facilities recorded March 13, 1998 in Book 3210 at Page 404. This easement is not being dedicated by this plat.
- This property is subject to a general easement granted to Chugach Electric Association, Inc. for electric transmission and/or telephone distribution lines or system by instrument recorded January 2, 1962 in Misc. Book 39 at Page 272. This easement is not being dedicated this plat.
- This property is subject to an easement granted to Anchorage, an Alaskan municipal corporation, for electric transmission and/or telephone distribution lines or system by instrument recorded January 26, 1995, in Book 2750 at Page 455. This easement is not being dedicated this plat.
- This property is subject to easements for natural gas pipelines and appurtenances thereto, granted to Enstar Natural Gas Company, recorded August 23, 2013 as Instrument No. 2013-048109-0 and recorded August 30, 2017 as Instrument No. 2017-034063-0. These are blanket easements that affect underlying Tracts A-4 and A-7, and provides that said easement shall reduce to a fifteen feet wide natural gas easement, centered on the natural gas pipelines installed under, over, upon and through said parcel. These easements are not being dedicated by this plat.
- All right of ways including but not limited to: roadways, alleyways, public utilities, drainage, walkways, trails and other easements shown hereon are dedicated to the Municipality of Anchorage unless otherwise indicated and are for permanent public use.
- All portions of driveways located within the dedicated public right of way of this subdivision shall be a minimum of fourteen (14) feet wide and a maximum of twenty (20) feet wide and shall be paved to meet the constructed travel way of the adjacent road.
- Direct access from Lots 13 & 14, Block 3, to England Avenue is prohibited. Vehicular access is limited to Potter Highlands Drive.
- All homes within this subdivision shall install engineered sprinkler systems.
- The extension of Potter Highlands Drive is overlapping and subject to the 60' drainage easement dedicated on Plat 2015-10.

#### Seismic Hazard

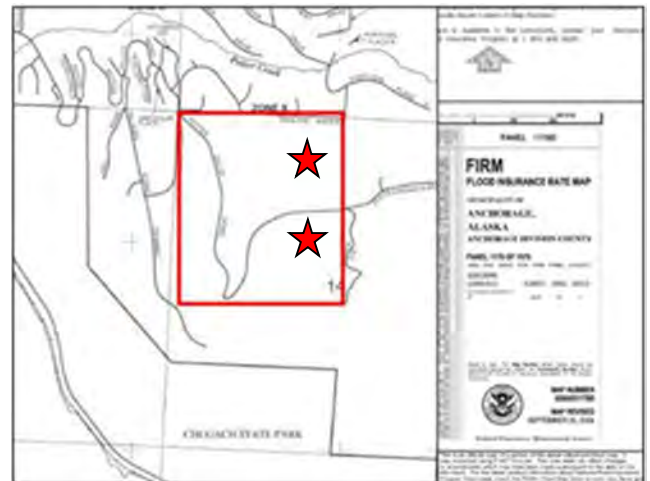
A Geotechnical Hazards Study was completed for the Municipality of Anchorage in December 2006. As shown on the map below, the subject is within Zone 2, which is rated as moderately low ground failure susceptibility.



#### Flood Plain

According to Federal Emergency Management Agency map number 0200051-170 D revised September 25, 2009, the site is rated as Flood Zone X, described as "areas determined to be outside the 0.2% annual chance floodplain." The property is not located in a recognized flood zone.

#### Flood Map



#### Wetlands Issues

The plat map shows approximately five acres of Parcel 1 is Class C wetlands. No wetlands areas are shown on the Municipal/ESRI map for Parcel 2.

Anchorage Municipality classifies Class C wetlands as the lowest value and does not need a permit from the Army Corps of Engineers. *Class C wetlands may be developed according to an opinion of compliance from the Planning Department. Class A and B wetlands may only be developed with a permit from the Corps of Engineers.*

#### Hazardous Materials

We performed the property inspection with the due diligence required of professional real estate appraisers. The subject is land with no obvious evidence of contamination was observed or reported. Note that the skills of an appraiser do not include the ability to detect

or analyze the many forms of toxic or hazardous materials. Based on our observations, it appears the property is free of hazardous contaminants. *It is an express assumption of this appraisal that the property is free from all environmental hazards.*

- Rising costs of construction

#### **COLLATERAL STRENGTHS & WEAKNESSES**

The preceding chapters include descriptions of the local economy, residential development patterns, location and site characteristics. From our investigation and analysis, we find the following collateral strengths and weaknesses:

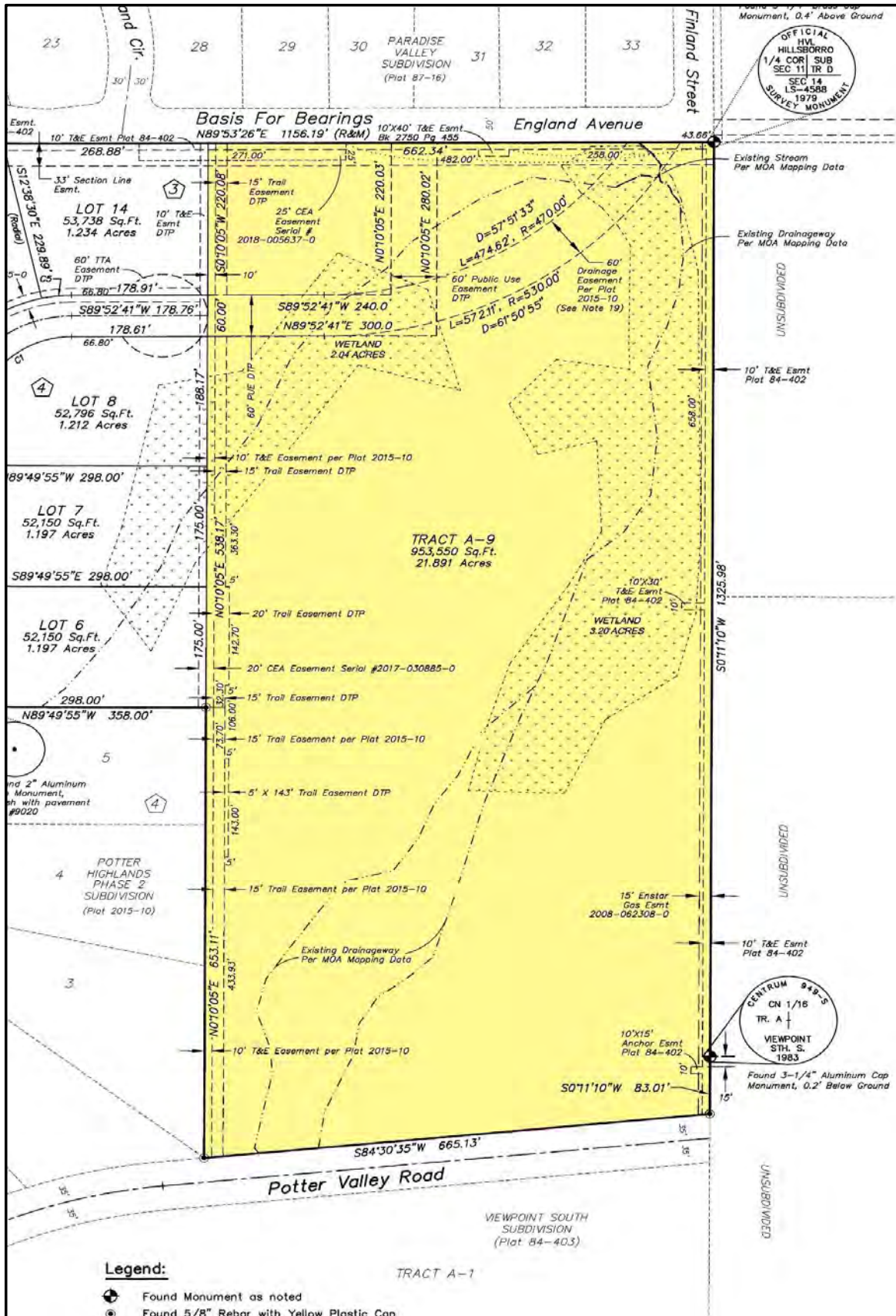
##### **Positive Aspects:**

- Good to excellent Inlet and mountain views
- Quiet rural suburban neighborhood
- Limited supply of larger tracts of developable land for local builders

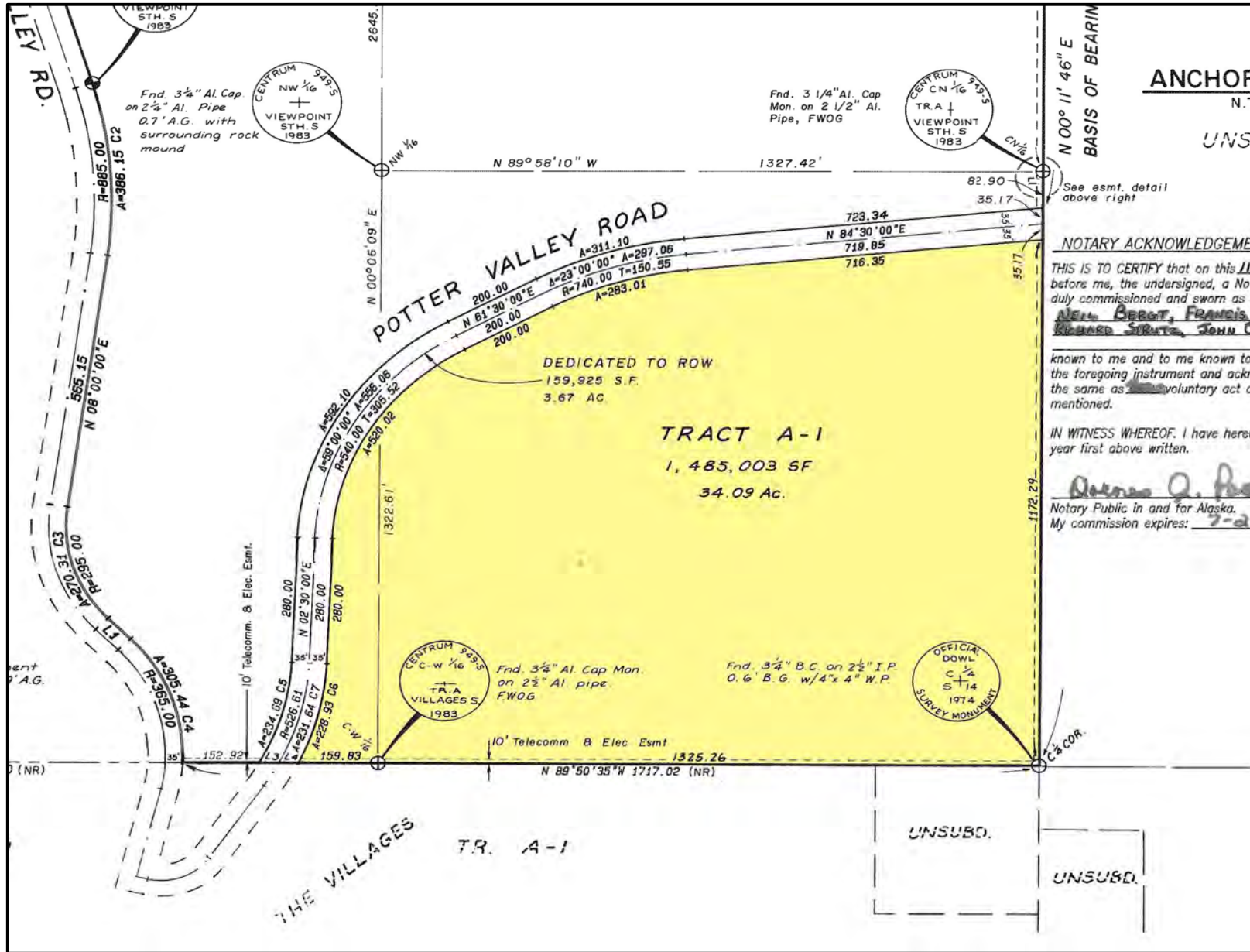
##### **Negative Aspects:**

- Required advanced septic system (adds to cost)
- Required fire sprinkler systems (adds to cost)
- Economic conditions caused by low oil prices and sluggish economy
- Increases in interest rates

# Parcel 1 - Tract A-9, Potter Highlands Ph 3



**Parcel 2 - Tract A-1, Viewpoint South**



**ANCHOR**  
N. 1  
UNS

N 00° 11' 46" E  
BASIS OF BEARING

**NOTARY ACKNOWLEDGEMENT**

THIS IS TO CERTIFY that on this 11th day of [blank] before me, the undersigned, a Notary Public duly commissioned and sworn as follows:  
**NEW: BEROT, FRANCIS**  
**RENEWED: STRUTT, JOHN C**  
known to me and to me known to the foregoing instrument and acknowledged by them as their voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of my office this 11th day of [blank] year first above written.

*[Signature]*  
Notary Public in and for Alaska.  
My commission expires: 7-2

**SUBJECT PHOTOS**



Easterly view on Potter Valley Road with Parcel 1 on left and Parcel 2 on right side of frame



Northeasterly view from Potter Valley Road at intersection with Finland Street



Westerly view on Potter Valley Road with Parcel 2 on left and Parcel 1 on right side of frame



Another view (further east) on Potter Valley Road with Parcel 2 on left and Parcel 1 on right



Northeasterly view of Parcel 1 from Potter Valley Road



Another view of Parcel 1 from Potter Valley Road

**SUBJECT PHOTOS**



Parcel 1 from Finland Street



Example of developed premium view lots on Potter Highlands Road leading to Parcel 1



Alaska Mountain Rugby Grounds, located across Finland Street from Parcel 1



Potter Valley Road with Parcel 2 on right - showing sloping topography



North terminus of Potter Highlands Drive looking toward subject Parcel 1



Northeast corner of subject Parcel 2

**SUBJECT PHOTOS**



Northeast corner of subject Parcel 2 – utility corridor



Walking trail on subject Parcel 2



View amenity and street scene on Potter Valley Road with Parcel 2 on left side of frame.



Developed lot in Phase 3 on Potter Highland Road - typical of Parcel 1.



View toward Southpointe Ridge from southwest corner of Parcel 2



Turnagain Arm/ Cook Inlet view from Potter Valley Road at Parcel 2

## HIGHEST AND BEST USE ANALYSIS



Highest and best use is defined by the Appraisal Institute as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and result in the highest value.

The four questions the appraiser answers in measuring highest and best use are:

1. What uses are physically possible?
2. What uses are legally permissible?
3. Of these uses, which are financially feasible?
4. Of the financially feasible uses, which has the highest return, or maximum profitability?

### HIGHEST AND BEST USE AS VACANT

In regard to the physically possible uses, we have two tracts of land that are 21.89 acres and 34.09 acres. The parcels are divided by Potter Valley Road.

Parcel 1, the smaller of the two, is rectangular and fairly level in topography. Electricity, natural gas and telephone service are available. Water and sewer would be supplied by on-site systems. Class C wetlands involve a quarter of the parcel.

Parcel 2, the larger tract, has an irregular shape and variations in topography that include a ridge toward the western extent. This tract has less street frontage and utility extensions as Parcel 1 but does not have designated wetlands.

Physical restrictions are minimal, provided the use did not require public water or sewer services or flat topography.

Legal restrictions include zoning, city ordinances, deed restrictions, covenants and environmental regulations. Of these restrictions, the R-6 SL, Low Density Residential District zoning has the most influence on the subject's development potential. The definition for R-6 as defined by the new 2014 Municipal Code is as follows:

The R-6 district is intended primarily for single- and two-family large-lot residential areas, with gross densities of up to one dwelling unit per acre. The R-6 is designed to encourage low-density residential development. This district is intended to protect and enhance those physical and environmental features that add to the desirability of large-lot residential living. The

availability of infrastructure and municipal services is varied. Minimum lot size under this zoning is one acre or 43,560 SF.

Residential single-family lot development of at least one acre is an example of a legally permissible use of both tracts under the R-6 SL zoning.

Noted legal restrictions are the requirements for engineered septic systems and fire sprinklers, both will add to construction costs.

Based on the most recent development patterns, potential financially feasible and maximally productive land uses are likely to be residential in nature.

Other uses are not likely due to physical and zoning restrictions. Single family large-lot development is the maximally productive use of both tracts.

Nearby projects include recent phases of Potter Highlands and Southpointe Ridge. In these projects, lot sale prices began at \$200,000 and are more than 80% sold out.

While we have not developed a subdivision analysis or cost approach residual for the appraised property, it is apparent from recent developments and sales in the surrounding area that residential large lot development is financially feasible in this location and this market.

Further, it is apparent large lot development is the reasonable probable use of both parcels. The maximally productive use is large lot (one acre plus) subdivisions designed to take advantage of the natural features and view amenities of each tract.

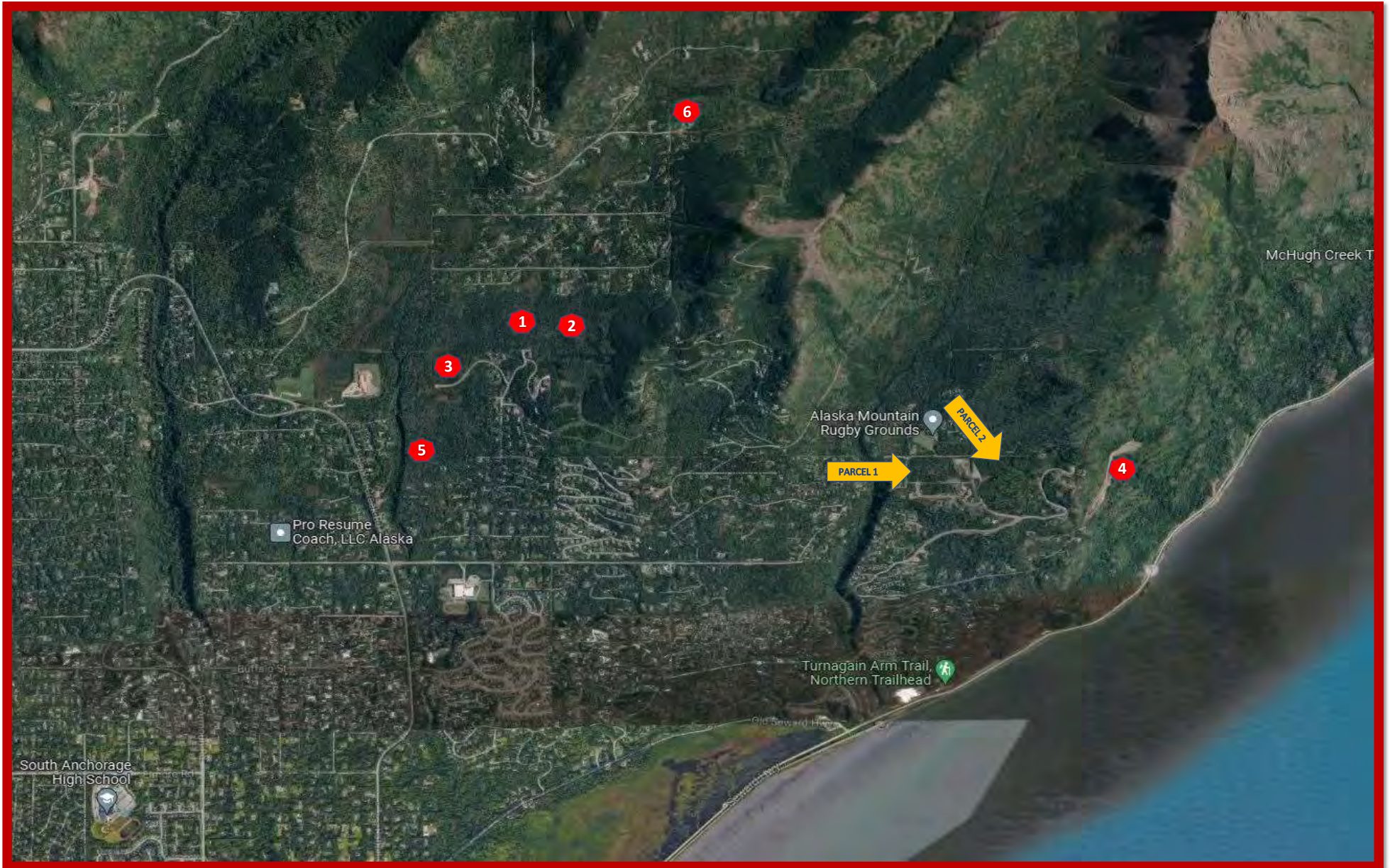
### MOST PROBABLE BUYER

The most probable buyer for the parcels would be land developer.

### SUMMARY OF HIGHEST AND BEST USE

Highest and best use of both tracts is large lot residential subdivisions that take advantage of the land's natural feature. The most probable buyer for the parcels is a land developer or developers.

# LAND SALE COMPARISONS - ANCHORAGE, ALASKA



# COMPARABLE LAND SALES SUMMARY

No.	Location/Legal/Tax ID	Seller/Buyer Recording Information	Date	Zoning	Size/SF Size/acre	Topography	Soils Utilities	Sale Price	\$/SF	\$/acre
1	<b>Sandpiper Road west of Shangri-La Si Tract B Burlwood</b> 020-531-01	Coyle / Eagles Nest Properties, LLC 2022-034454-0	09/2022 112 days	R-10 SL	1,746,340 40.09	Sloping Hillside	Well/Septic	\$925,000	<b>\$0.53</b>	<b>\$23,073</b>
2	<b>Burlwood Sub. via Morino/Byron St. Tract C Burlwood</b> 020-551-01	LA Truck Sales / Eagles Nest Properties, LLC 2022-038374-0	10/2022 04 days	R-10 SL	2,179,750 50.04	Sloping Hillside	Well/Septic	\$725,000	<b>\$0.33</b>	<b>\$14,488</b>
3	<b>Mountain Air Drive Tract B Shangri-La Estates</b> 020-043-80	Anch. Devel. & Constr. LLC / Grigsby 2022-026872-0	07/2022 15 days	R-7 SL	763,316 17.52	Sloping Hillside	Well/Septic	\$600,000	<b>\$0.79</b>	<b>\$34,240</b>
4	<b>Villages Scenic Parkway Tract B Villages View</b> 020-311-34	Wika / WRWEI Investment Prop. LLC 2021-063984-0	11/2021 50 days	R-10	1,742,400 40.00	Sloping Hillside	Well/Septic	\$935,000	<b>\$0.54</b>	<b>\$23,375</b>
5	<b>156th Avenue Tract A River Hills Estates</b> 017-161-31	CJM Properties / Home Renewal Co, LLC 2021-036687-0	06/2021 n.a.	R-9	500,940 11.50	Sloping Hillside	Well/Septic	\$205,000	<b>\$0.41</b>	<b>\$17,826</b>
6	<b>9295 Paine Road Tract A, Mountain Terrace Est #2</b> 020-121-23	Martin / Jensen 2022-030358-0	08/2022 130 days	R-10 SL	417,923 9.59	Sloping Hillside	Well/Septic	\$250,000	<b>\$0.60</b>	<b>\$26,057</b>
<b>APPRAISED PROPERTY</b>										
	<b>Parcel 1: Potter Highlands Ph 3 Tr A-9</b>		---	<b>R-6 SL</b>	<b>953,550</b>	Sloping Hillside	Well/Septic	---	---	---
	<b>Parcel 2: Viewpoint South Tr 1-A</b>		---	<b>R-6 SL</b>	<b>1,484,960</b>	Sloping Hillside	Well/Septic	---	---	---
					<b>21.89</b>					
					<b>34.09</b>					

## LAND VALUATION



alue of the land is appraised at its highest and best use. The sales comparison technique is the most reliable method of analysis when there are adequate recent sales and an active market.

We researched recent large-parcel land sales in South Anchorage with a focus on hillside tracts. We focused the search on land with similar highest and best use as the appraised property – residential lot development of one acre or more. We found an adequate amount of comparable land sales to properly apply a direct sales approach.

### Sale Comparison Methodology

The sales comparison approach is a market-based analysis that estimates value by comparing land sales with similar highest and best potential.

Because of the imperfect nature of the market, we use a qualitative comparison technique. This analytical process represents a study of market relationships without recourse to quantification. By analyzing and interpreting market behavior, we rate the elements of comparison that influence price as superior, inferior, or similar.

The transactions listed on the facing exhibit were given primary reliance in our comparative analysis. Additional land sales were also reviewed for comparative purposes, but these are relegated as supportive data.

### Elements of Comparison

Based on our analysis, the principal elements of comparison that influence market behavior for residential land are as follows:

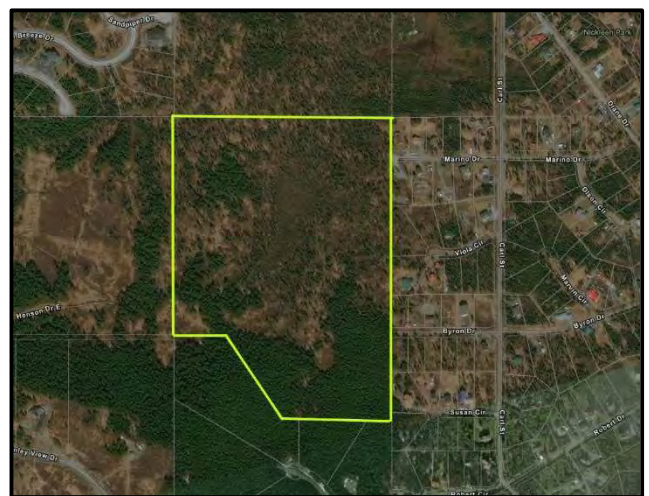
- Property Rights Conveyed, Conditions of Sale,
- Financing Terms and Changes in Market over Time
- Location
- Zoning
- Physical Characteristics (size, utilities, soils, topography, etc.)

Several indicators can be extracted from the sales, such as price per housing unit, price per lot, price per square foot or price per buildable unit and price/SF or price/acre. For our analysis, we use \$/acre.



**Land Sale No. 1** is the September 2022 sale of a 40.09-acre parcel located at the east end of Sandpiper Drive, which is the access road to Shangri-La Estates – a similar custom-home subdivision on the South Anchorage hillside. This area is zoned R-10 SL for its rural residential location with both flat and sloping topography. Zoning requires a minimum 54,540 SF lot size. The parcel is undeveloped with tree growth. The property has some Class C wetlands with sloping topography. Electricity, phone and natural gas lines are at the periphery. The parcel was purchased by a land developer along with land to the south. The price for this comparable was \$925,000 or \$23,073/acre.

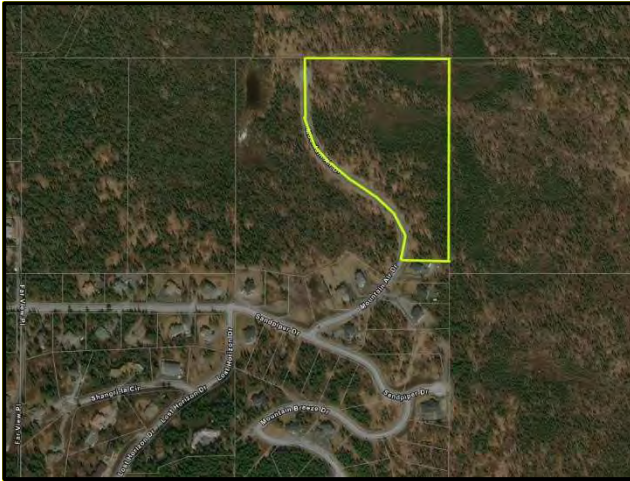
*This sale indicator sets the low end of value for the appraised property. Zoning is deemed inferior due to larger lot size requirements.*



**Land Sale No. 2** is 50.04 acres directly south of Sale No. 1. Access to the land is through Morino and Byron subdivision streets in Bear Valley. Utility services, while available nearby, will require lengthy extension. Class C

wetlands cover about 25% of the land. This comparison sold in October 2022 for \$725,000 or \$14,488/acre.

***This sale sets the lowest \$/acre indicator of the comparisons selected. It will be more costly to develop and offer only mountain view amenities. It sets a price well below market value for the subject parcels.***



**Land Sale No. 3** is the sale of a large tract of land directly east of proposed Spruce Terrace Subdivision. Land area for this sale is 17.52 acres. This parcel is located at the east end of Sandpiper Drive which is a couple miles east of Old Seward Highway and Potters Marsh on the Hillside of Southeast Anchorage and the Rabbit Creek area. This parcel is undeveloped with heavy tree growth, sloped topography with a R-7 SL zoning. While R-7 districts allow for lots as small as 20,000 SF, design of lots with water wells and septic systems require an acre for property separations and the SL (special limitations) insures this.

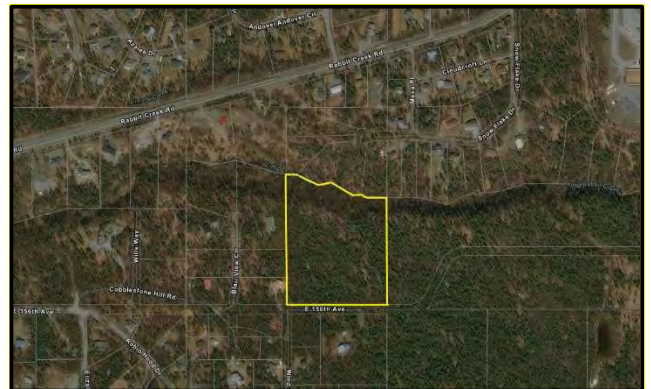
There are Class A wetlands at the northeast corner of the site that could make development more costly. Conversely, a paved road is already in place along the west boundary; this road adds significant value to the property. A developer could fit several lots along the east side of Mountain Air Drive without impacting the wetlands. This parcel sold for \$600,000 or \$34,240/acre in July 2022.

***This sale sets the highest indicator of the comparisons, and this is largely due to added value of the existing street and location. We conclude the sale sets the upper benchmark of value for both subject tracts.***



**Land Sale No. 4** is the sale of a 40-acre tract at the end of Villages Scenic Parkway. This land is sloping with a road-cut terrace through the center. It offers unobstructed views of Turnagain Arm. The irregular shape and steep topography will limit the number of lots that can be developed. Price for this November 2021 sale was \$935,000 or \$23,375/acre.

***In evaluating this sale comparison, we recognize upward adjustment for topography, access, and zoning, which are only partially offset by the superior view. The indicator from this sale is below market for the appraised property.***



**Land Sale No. 5** is the June 2021 sale of 11.50 acres on East 156<sup>th</sup> Avenue, south of upper Rabbit Creek Road. Little Rabbit Creek forms the north boundary of this parcel. Access is unpaved and rated as fair. View amenity is average to good on this hillside sloping tract. The property has potential for subdivision into six or seven lots provided access is improved. The price was \$205,000 or \$17,826/acre. An offer was accepted prior to open market listing.

***Inferior access and location suggest upward adjustment for comparability with the subject tracts.***



**Land Sale No. 6** is the sale of a 9.59- acre parcel with a R-10 zoning. This parcel is located in Bear Valley which is about 4.5 miles northeast of Potters Marsh. This land has flat to gentle sloping topography and good view amenities of Cook Inlet and city lights. Access is via unpaved roads. The seller had installed a driveway, building pad and initial work for well and septic in 2015. Given the zoning, access and location, development will likely be a single family home site. The parcel sold in August 2022 for \$250,000 or \$26,057/acre.

*We rank access and location as inferior; land size is smaller, and this factor is offsetting to some degree. On balance, we find the sale sets the low benchmark for the subject tracts.*

#### COMPARATIVE ANALYSIS

The sale comparisons follow a range of \$14,488/acre to \$34,240/SF.

- All of the land sales were fee simple transactions and at arm's length.
- Financing terms for the sales were cash or at-market terms.
- Closing dates ranged from 2021 to 2022. No adjustment is indicated for changes in market conditions over time.

Other considerations for adjustment are for the physical aspects of each comparison.

In the preceding sale descriptions, various aspects of each property were presented. We considered location, access, view amenity, zoning, and size.

#### Zoning Differences

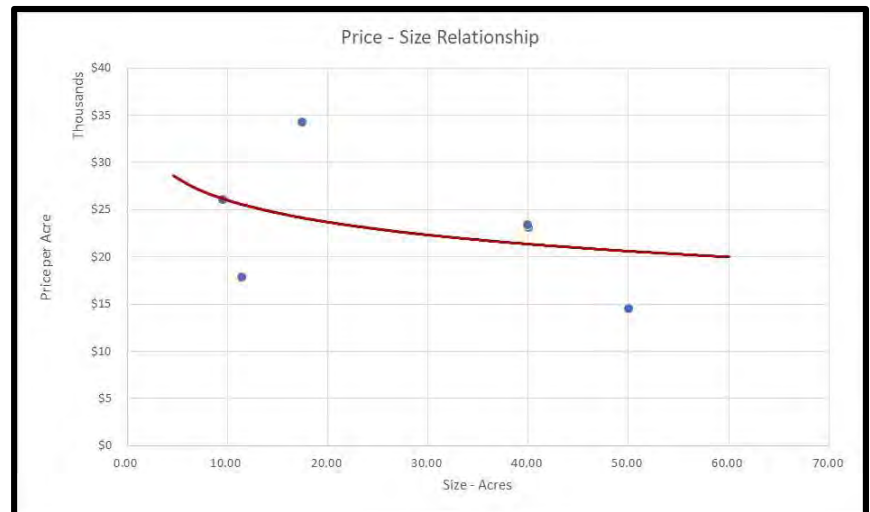
Zoning at the subject is R-6 SL (one acre minimum). The sale comparisons are R-7 SL, R-9, and R-10 SL. For reference, zoning district lot requirements are as follows:

Single Family Residential Districts				
Zoning District	R-6 SL	R-7 SL	R-9	R-10 SL
Minimum Lot Size - Square Feet	43,560	20,000	87,120	20,000 to 326,700

While comparable sale zoning districts differ from the subject tracts, special limitations, and practical aspects of development result in one-acre lot minimums. No specific adjustment is indicated for differences in zoning.

#### Size

While not always true, in general, as land size increases price per acre decreases. Comparable sale prices and sizes are plotted on the following graph.



#### Value Conclusions

The high end of the range of the sale prices is set by Sale No. 3 at \$34,240/acre. Highest and best use is similar to the appraised property. Location and access are generally similar. Benefit of an already developed street is a factor that is superior to both subject tracts. The presence of Class A wetlands is not a significant factor in how this land will be developed.

After careful consideration, we find Sale 3 at \$34,240/acre sets the upper benchmark of value for the subject tracts.

The next lowest sale is Comparison 6 in Bear Valley at \$26,057/acre. While view amenity is similar to superior for much of the subject land, location and access are inferior. The buyer recognized only nominal value for

the earlier improvements. This sale sets an indicator below anticipated market value for the subject.

We rank sale comparability relative to the appraised property in the following array table.

Comparative Analysis		
Comparable	\$/acre	Comparability
No. 3	\$34,240	Similar
<b>Subject</b>	- - -	- - -
No. 6	\$26,057	Sl. Inferior
No. 4	\$23,375	Inferior
No. 1	\$23,073	Inferior
No. 5	\$17,826	Inferior
No. 2	\$14,488	Inferior

### Value Considerations

Parcel 1 is smaller than Parcel 2 (at 21.89 acres versus 34.09 acres). Parcel 1 is also ready for development with roads on three sides plus the northeast end of Potter Highlands Road terminates at the parcel. Utility lines are extended along the western boundary of Parcel 1.

Parcel 2 has superior view potential with steeper slopes on the south and west areas of this tract. Although view lots will have premium prices, this revenue will be partially offset by higher development costs.

These differences factor into our conclusion of values for the two parcels. We conclude a higher \$/acre value for Parcel 1 than for Parcel 2.

During the scope of our analysis, we discussed the subject with brokers and investors knowledgeable in this market. The land sales demonstrate the difference in value based on overall appeal, size, location, and zoning. Specifically, we spoke to several brokers who are familiar with land values in the area to get their opinion on value.

Considering the preceding discussions, we estimate a fee simple market value for the subject parcel at **\$33,000/acre for Parcel 1** and **\$28,000/acre for Parcel 2.**

Fee Simple Value Conclusion		
Parcel and Size	SP/SF	Indicated Value
<b>Parcel 1:</b> 21.89 acres	\$33,000	\$722,370 \$720,000 (rnd)
<b>Parcel 2:</b> 34.09 acres	\$28,000	\$954,520 \$950,000 (rnd)

### Conclusion Summary

Based on our inspection, research, and analysis, we are of the opinion market value of the fee simple interest in the subject tracts, as of November 3, 2022 is as follows:

**Parcel 1:           \$720,000**  
**Parcel 2:           \$950,000**

---

## ADDENDA

---



**North Pacific Advisors, LLC**

Commercial Real Estate Appraisers and Consultants

12890 Old Seward Highway  
Anchorage, Alaska 99515  
Telephone 907/561.1225

October 6, 2022

Potter Creek Development, LLC.  
Natalie Travers-Smyre CRS, GRI  
Associate Broker  
Berkshire Hathaway HomeServices Alaska Realty  
561 E 36th Avenue, Suite 200  
Anchorage, AK 99503

RE: Market Value Appraisal of the two vacant tracts “as is” – no subdivision analysis.

Viewpoint South Tract A1 & Potter Highlands Ph 3 Tract A9  
PARID: 02028146000 & PARID: 02028210000  
Owner: Potter Creek Development, LLC

We have prepared a proposal for the above-referenced property.

The total costs for the services will be \$4,300. The due date will be 4 weeks from engagement. A 50% retainer is due immediately (\$2,150) and the balance is due upon delivery. Appraisals will be sent electronically (PDF).

Once engaged, we plan to complete the contracted appraisal in the time allowed and adhere to the strict guidelines outlined by the 2020-2022 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC) and to FIRREA requirements.

By signing below, Natalie Travers-Smyre, agrees to accept the proposal.

Natalie Travers-Smyre: \_\_\_\_\_ Date: \_\_\_\_\_

Thank you for the opportunity to be of service. Please call if you have any questions regarding the appraisal or this invoice. Our bank information for wire transfer is Northern Skies Federal Credit Union, Routing # 325272157 and account number 740094343.

Or make checks payable to: North Pacific Advisors, LLC  
12890 Old Seward Highway  
Anchorage, Alaska 99515

Taxpayer Identification No.: 45-3954468



**North Pacific Advisors, LLC**  
Commercial Real Estate Appraisers and Consultants

**Gregory S. Wing, MAI**  
**200 West 34th Avenue, Suite 403**  
**Anchorage, Alaska 99503**

---

*North Pacific Advisors, LLC*

• *Gregory S. Wing,*  
*MAI*

200 West 34<sup>th</sup> Ave #403 • Anchorage, AK • 99503  
(907) 561-1225 FAX (907) 258-0292

---

## *Appraiser Qualifications*

State of Alaska Certified Real Estate Appraiser – General  
License No. APRG204

Gregory S. Wing, MAI an Alaska resident since 1973, is a 1990 graduate from the University of Alaska Anchorage with a Bachelor of Business Administration in Finance. He joined Shorett & Riely / Kincaid & Riely as a commercial appraiser in 1991, and left in April 1997 to establish Howard & Wing, and in 2011 started North Pacific Advisors, LLC.

Appraisal experience includes assignments in Anchorage and various communities throughout Alaska, as far reaching as Barrow, St. George Island, Ketchikan and Dutch Harbor. This experience involved numerous property types: apartment, office, retail and warehouse buildings, complex properties, special-purpose facilities and raw land. Previous clients include banks, insurance companies, attorneys, government agencies and private property owners.

Mr. Wing earned the MAI professional designation of the Appraisal Institute, one of 5,900 members internationally. Only 5% of commercial real estate analysts achieve this designation. The mandatory continuing education requirements of the Appraisal Institute are fulfilled. He is the past President for the Alaska Chapter of the Appraisal Institute.

The following list provides examples of the appraisals completed:

### **HOTEL**

Hotel Captain Cook  
Cape Fox Hotel – Ketchikan  
Proposed Hotel – Kenai Peninsula  
Days Inn  
Puffin Inn  
Best Western Barratt Inn  
Breakwater Inn – Juneau  
Proposed Marriott Courtyard Hotel  
Hotel Halsingland - Haines  
Proposed Radisson Hotel  
Grande Denali  
Red Roof Inn (Kobuk Hotel)  
Comfort Inn – Fairbanks  
Breeze Inn  
Microtel – Eagle River

Westmark Juneau Hotel  
Comfort Inn  
Proposed Hotel - Juneau  
The Long House Hotel  
Golden Lion Hotel  
Uptown Hotel  
Proposed Marriott Fairfield Hotel  
Proposed Hotel – Seward  
Best Western Seward  
Executive Suites  
Marriott Residence Inn  
Proposed Springhill Suites  
Eagles Nest Hotel  
Black Angus Inn

## **OFFICE**

188 Northern Lights Tower (Proposed)  
Denali Towers  
New York Life Building  
AHFC Office Building  
Carr Gottstein Building  
Alyeska Office Buildings  
Centerpoint II Office Building (Proposed)  
Parkway Medical Building  
Alaska Surgery Center (Proposed)  
Tesoro Building  
Capital Office Park - Juneau  
Calais II Office Building  
Alyeska Office Building- Valdez  
3000 C Street Office Complex  
United Way Office Building  
Atrium Office Building

JL Tower Feasibility (Proposed)  
Long Term Acute Care Hospital (Proposed)  
Enstar Administrative Offices  
Residential Mortgage Building (Proposed)  
Commerce Building  
Fish and Game Headquarters  
Alaska Railroad Buildings  
Denali Federal Credit Union  
Bivin Plaza Office Building  
CBA Building  
Greatland Office Building  
KeyBank Plaza Office Building  
Proposed Downtown Office Tower  
Proposed Midtown Office Tower  
Campfire Office Building  
Comtec Office Building

## **INDUSTRIAL**

Airport Business Park  
GE Supply Warehouse  
SKS Office/Warehouse  
Carlile Distribution (Deadhorse/Anchorage)  
Veco Warehouse (Deadhorse)  
AAA Fencing Warehouse (Proposed)  
Todd Communications  
Collville Properties (Deadhorse)  
New Castle Building  
Action Security Warehouse  
Keystone Distribution Warehouse  
Northland Business Center  
Northgate Building – Eagle River  
Alaska RV Office/Warehouse  
Airport Travel Service Center  
Schoon and King Street Warehouses  
200/250 Post Road Warehouse Facility  
Knik Arm Power Plant

Woodland Business Park  
Arco Terminal Facility  
Northern Air Cargo Hangar Facility  
Corporate Express  
Chevron Terminal Facility  
MarkAir Office/Hangar Buildings  
Lake Hood Air Harbor Building  
Midtown Industrial Park  
Danzas Warehouse  
Glacier Movers Building - Fairbanks  
Alaska Archives Building  
Puget Pump & Supply Office/Warehouse  
National-Oilwell Warehouse  
Keller Supply Building  
Proposed Hi-Tech Auto  
Proposed Hultquist Warehouse  
Northland Systems Building  
FedEx Ground Distribution Center

## **RETAIL/RESTAURANT**

Boniface Mall  
Eagle Quality Centers (Homer, Valdez & Seward)  
Westside Center – Wasilla  
Phillips Plaza – Wasilla  
Office Max  
University Center Mall  
Swanson's Stores (three retail facilities in Bethel)  
Muldoon Mall  
Als Bar and Inn  
Wendy's  
Dairy Queen (Proposed)  
Island Restaurant  
Foodland  
Carl's Jr.  
Country Kitchen

Harley Davidson Expansion  
Tudor Square Retail Center  
Hartley Motors Building – Wasilla  
Alaska Builder's Cache  
Boniface Plaza  
Napa Auto Parts – Dutch Harbor  
Alaska RR Center  
Carrs Grocery Stores  
Jewel Lake Bowling Facility  
Space Station  
Z Plaza Retail Strip Center  
Pet Emergency Treatment (PET) Clinic  
Avanti Clinic  
Mercedes Dealership  
Tundra Tykes

## **MULTI – FAMILY PROPERTIES**

Alpine Apartments  
Club at Eagle Point  
Panoramic View Apartments  
Russian Jack Apartments  
Woodland Apartments  
Northern Lights Apartments  
Continental Apartments  
Dimond Willow Apartments  
Mulcahy View Apartments  
Nelchina/Susitna Apartments  
Hampstead Heath Apartments – Proposed  
Outlook Apartments  
Baroness Apartments  
Greenbriar Apartments  
Sophie Plaza Apartments  
Jillian Square Apartments  
Verde Lane Apartments  
International Apartments

Sharilyn Arms Apartments  
Sunrise East Apartments  
Tudor Park Apartments  
Village Commons Condominiums  
Terrace on the Lake Apartments  
Arctic Sun Apartments  
Campbell Creek Apartments  
Independence Park Apartments  
Medfra Apartments  
Brighton Park Apartments – Proposed  
Southside Senior Center - Proposed  
Kinnear Park Apartments  
Alaska Pacific University Housing  
Mariners View Apartments  
5th & M Condominiums  
Park Plaza  
Anchorage Corporate Suites  
Aurora Military Housing

## **SPECIAL PURPOSE PROPERTIES**

Westward Seafoods - Dutch Harbor  
Alyeska Seafoods - Dutch Harbor  
Sea-Land Properties - Dutch Harbor  
Ocean Beauty Seafood – Kodiak  
Best Storage (Mini-storage)  
Dimond Estates Mobile Home Park  
Apartment Housing Study  
Proposed Mini-Storage Facility  
Malaspina Properties  
Valdez Man Camp  
Glennallen Medical Building  
Proposed Sports Dome

Snopac Housing Facility - St. George Island  
Aleutian Dragon Fisheries - Chignik Bay  
Seawhawk Seafoods - Valdez  
C Street Concrete Facility  
LaMex Restaurant  
Best View Mobile Home (RV Park)  
Millers Mobile Home Park  
70 Acres Alyeska Basin Properties  
MarkAir Terminal – Barrow, Alaska  
U. S. Post Office – King Cove, Alaska  
Mapco Terminal Facility  
ASI Seafood Plant

The following is a partial list of previous appraisal clients:

Great Western Bank  
Seattle First National Bank  
Key Bank of Alaska  
Northrim Bank  
Trillium Corporation  
Bank of Tokyo, LTD.  
Freddie Mac  
Bank of America  
Anchorage Neighborhood Housing Services, Inc.  
MarkAir  
Key Bank of Washington

First Interstate Bank of Oregon, N.A.  
National Bank of Alaska  
Security Pacific Bank, N.A.  
First National Bank of Anchorage  
Industrial Bank of Japan  
Hickel Investment Company  
Bond, Stephens & Johnson, Inc.  
Wells Fargo Bank  
Chevron USA  
U.S. Bancorp  
MAPCO