

APPRAISAL OF  
THREE LEASE TRACTS  
FAIRBANKS INTERNATIONAL AIRPORT  
FAIRBANKS, ALASKA

FOR  
ALASKA DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES  
THROUGH OVERLAND, PACIFIC & CUTLER

EFFECTIVE DATE OF APPRAISAL  
JUNE 1, 2009

REF. NO. 1749

BY  
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# ALAN G. OLSON

## Real Estate Appraiser

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June 1, 2009

Faith A. Roland, SR/WA  
Regional Director  
Overland, Pacific & Cutler, Inc.  
3240 Carillon Point  
Kirkland, WA 98033-7308

Subject: Fairbanks International Airport – Three Lease Tracts

Dear Ms. Roland:

As requested, I have prepared appraisals in a summary report of three lease tracts located at Fairbanks International Airport in Fairbanks. The purpose of each appraisal is to estimate current market rental value of the land, unencumbered by a current lease (if any).

The following report sets forth the methods used in estimating the market rental values of the three tracts and contains data that are considered to be applicable to the appraisals. The Certification page that follows is an integral part of both this letter and the appraisal report.

Based on the Assumptions and Limiting Conditions contained in this report and supported by market data, it is my opinion that the current market rental values of the subject tracts, as “clean” properties, as of June 1, 2009, are:

Lot 5, Block 4	\$0.18 Per Sq. Ft. Per Year
Lot 6A, Block 100	\$0.14 Per Sq. Ft. Per Year
Lots 14 & 16, Block 3	\$0.22 Per Sq. Ft. Per Year

If I can be of further assistance to you regarding these appraisals, please advise.

Sincerely,

A handwritten signature in cursive script that reads 'Alan G. Olson'. The signature is written in dark ink and is positioned above the printed name.

Alan G. Olson, MAI

## CERTIFICATION

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

the statements of fact contained in this report are true and correct;

the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions;

I have no present or prospective interest in the properties that are the subjects of this report, and no personal interest with respect to the parties involved;

I have no bias with respect to the properties that are the subjects of this report or to the parties involved with this assignment;

my engagement in this assignment was not contingent upon developing or reporting predetermined results;

my compensation for completing this assignment is not contingent upon the development or reporting of predetermined values or direction in values that favor the cause of the owner, the amounts of the value opinions, the attainment of stipulated results, or the occurrence of a subsequent event directly related to the intended use of this appraisal;

no one provided significant professional assistance to the person signing this report;

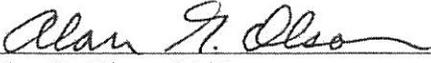
the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*;

the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

as of the date of this report I have completed the continuing education program of the Appraisal Institute;

I have personally inspected the properties that are the subjects of this report – Lot 5, Block 4; Lot 6A, Block 100; and Lots 14 and 16, Block 3; Fairbanks International Airport, Fairbanks, Alaska;

market rental values of the subject tracts, as of June 1, 2009, as “clean”, are summarized in the foregoing transmittal letter.

  
Alan G. Olson, MAI

June 1, 2009  
Date

**TRACTS SUMMARY – FACTS AND DATA**

Appraisal Date: 6/1/09

Inspection Date: 5/18/09

**OWNER/LESSOR:** Alaska Department of Transportation & Public Facilities

**LEGAL DESCRIPTIONS:** Lot 5, Block 4; Lot 6A, Block 100; and Lots 14 & 16, Block 3; Fairbanks International Airport

**LOCATIONS:** Blocks 3 and 4 are on the westerly side of the airport; Block 100 is on the easterly side

**SHAPES AND SIZES:** Lot 5, Block 4: Trapezoid, 174,671 sq. ft. (4.01 acres)  
Lot 6A, Block 100: Rectangle, 71,500 SF (1.64 acres)  
Lots 14 & 16, Block 3: Rectangle, 24,600 SF (0.56 ac.)

**ACCESS:** West side tracts – Old Airport Way  
East side tract – Lavanevsky Access Road, off South University Avenue

**TOPOGRAPHY:** Level tracts; generally at street grade

**SOILS CONDITIONS:** Gravelly fill on west side tracts; east side tract unfilled

**UTILITIES:** Public water and sewer, electric and telephone

**ZONING:** LI/ANSA – Light Industrial/Airport Noise Sensitive Area

**SITE IMPROVEMENTS:** Gravel fill on the west side tracts; partial perimeter fence and partial asphalt paving on Lot 5, Block 4

**EASEMENTS:** None known

**CURRENT USE:** Effectively vacant tracts, except for garage on Lot 14

**DESCRIPTION:** Lot 5, Block 4 and Lot 6A, Block 100 are designated for Aviation Use; Lots 14 & 16, Block 3 for Auxiliary Use

**MARKET RENTAL VALUES:** Lot 5, Block 4: \$0.18 per sq. ft. per year  
Lot 6A, Block 100: \$0.14 per sq. ft. per year  
Lots 14 & 16, Block 3: \$0.22 per sq. ft. per year

**CONTRIBUTORY VALUE OF SITE IMPROVEMENTS:** Lot 5, Block 4: \$3.00 per sq. ft. (asphalt paving)





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## **ASSUMPTIONS AND LIMITING CONDITIONS**

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice* (USPAP) for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop my opinions of values. Supporting documentation concerning the data, reasoning, and analyses is retained in my file. The depth of discussion contained in this report is specific to the needs of the clients and for the intended use stated on page 3. I am not responsible for unauthorized use of this report.

### **Extraordinary Assumptions**

1. Real property improvements are not included in this appraisal; land and integrated site improvements only.
2. The sites are valued on the basis of being “clean”; unaffected by any known or unknown environmental contaminants or any stigma associated with such contaminants.

### **Hypothetical Condition(s) - None**

### **General Assumptions (Apply to each tract individually)**

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated; and all assessments for taxes and water are paid to-date.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property or subsoil that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. While various approaches to value and various mathematical calculations may have been used in estimating value, these are only aides to the formulation of the value estimate expressed by the appraiser in this report. In these calculations certain mathematical figures are rounded off to the nearest significant amount.
12. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of potentially hazardous materials may affect the value of property. The appraiser's value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any adverse environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

### **Limiting Conditions**

1. Possession of this report, or a copy thereof, does not carry with it the right of publication.
2. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
3. 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 the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
4. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
5. The date of value for the opinions expressed in this report is as stated in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect those opinions.
6. No opinion is intended to be expressed for legal matters or for opinions that require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

## **OSTENSIBLE OWNER**

State of Alaska, Department of Transportation & Public Facilities

## **EXISTING LEASE – Lots 14 & 16, Block 3 (ADA 05328)**

Current Lessee: Alaska Dial-A-Car, dba Payless Car Rental, Bob Vitale, President  
Term: 25-years, starting February 25, 1984; with option for renewal  
Current Rent: \$0.12 per sq. ft. per year since July 1, 2003

## **HISTORY**

There are no known sales, land only, of any of the subject properties during the past three years.

## **LOCATIONS**

Lot 5, Block 4 – East side of Old Airport Way just north of the Dale Road cross-over  
Lot 6A, Block 100 – West side of Lavanevsky Access Road, one block west of S. University Ave.  
Lots 14 & 16, Block 3 – West side of Old Airport Way, 4<sup>th</sup> and 5<sup>th</sup> lots north of Wien Lake Road

## **LEGAL DESCRIPTIONS**

Lot 5, Block 4; Lot 6A, Block 100; and Lots 14 and 16, Block 3; Fairbanks International Airport

## **PROPERTY RIGHTS APPRAISED**

Long-term lease rights of the fee simple title of the land; not including oil, gas and mineral rights

## **SCOPE OF WORK**

The **Purpose of Appraisal** is to estimate the current market rental values of the subject properties; to assist the owner in establishing annual rent.

This appraisal report has been prepared for the **Clients/Intended Users**, Overland, Pacific & Cutler, Inc. and Alaska Department of Transportation & Public Facilities (AK DOT&PF). **Intended Use** of the appraisals is to establish annual rents for the beginning period (typically five years) of the un-leased tracts and next renewal period for the lease of Lots 14 and 16, Block 3. The **Type of Opinion** for each tract is market rental value. Appraisal instructions were provided by the clients. The subject properties were inspected on May 18, 2009 following a meeting with Tom Kowalczyk, Chief of Leasing, Fairbanks International Airport in his office. The **Effective Date of Opinion** is June 1, 2009. **Relevant Characteristics** about the subject properties are their locations on active taxiways for Fairbanks International Airport or located elsewhere on airport property. **Extraordinary Conditions** that relate to the appraisal are: (1) real property improvements are not included in this appraisal, land and integrated site improvements only; and (2) the sites are valued on the basis of being “clean”, unaffected by any known or unknown environmental contaminants or any stigma associated with such contaminants. There are no **Hypothetical Conditions** relating to any of the subject lease tracts that are considered as part of these appraisals.

**Market Rent** is defined in The Dictionary of Real Estate Appraisal, Fourth Edition by the Appraisal Institute as . . . *The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:*

1. *Lessee and lessor are typically motivated.*
2. *Both parties are well informed or well advised, and acting in what they consider their best interests.*
3. *A reasonable time is allowed for exposure in the open market.*
4. *The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.*
5. *The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.*

The **Scope of Work** to solve the problem, and complete the research and analyses to produce credible results, includes the following items:

- On-the-ground inspections of the subject properties and comparable properties
- Property data and plats/maps were obtained from the client (AK DOT&PF), Fairbanks North Star Borough website and assessor's office, Utility Service of Alaska, Fairbanks Natural Gas, LLC, and my files.
- Area and neighborhood data were obtained from Fairbanks North Star Borough, City of Fairbanks, and Alaska Department of Commerce, Community and Economic Development (DCCED) websites, most current "Community Research Quarterly" published by Fairbanks North Star Borough, Alaska Geographic and Alaska Business Monthly magazines, Alaska Journal of Commerce and Fairbanks Daily News-Miner newspapers, and my files
- Market and other pertinent data were obtained and appropriately verified from sources that include persons who are actively selling, buying and developing properties that are similar to the subject properties, other appraisers, realtors, engineers, contractors, representatives of land management and land acquisition agencies in Fairbanks, and my files

With the various activities relating to inspecting the subject properties, discussing the properties and pending appraisals with representatives of the clients, and research for appropriate and meaningful data, I have considered the effects of existing land use regulations, analyzed the various principles that contribute to value, estimated the highest and best use of each property, analyzed appropriate market data, and formed valuation conclusions that result in final conclusions of the market rental values of the subject properties as of the effective date of appraisal. In this report, I am reporting the factual data and valuation analyses in a summary report that conforms to the current version of the *Uniform Standards of Professional Appraisal Practice* (USPAP). The subject properties are valued primarily as if vacant and unimproved, other than the contributory value of asphalt paving on Lot 5, Block 4; thus, the Cost and Income Capitalization Approaches to value are not applicable. The Sales Comparison Approach is the appropriate method for estimating land value. This approach applies the Principal of Substitution, wherein a well-informed buyer typically will pay no more for a property than what that person can buy a suitable substitute within a reasonable period of time.

**DATE OF INSPECTION**

May 18, 2009

**EFFECTIVE DATE OF APPRAISAL**

June 1, 2009

**DATE OF REPORT**

June 1, 2009

**AREA AND NEIGHBORHOOD DATA**

The Area for the subject property is the community of Fairbanks, which includes the city, surrounding residential, commercial, and industrial neighborhoods, Fairbanks International airport, University of Alaska campus, and Fort Wainwright Army Base. Fairbanks is Alaska’s second largest city and seat of government for Fairbanks North Star Borough. It is located at the confluence of Chena and Tanana Rivers; Chena River generally bisects the community along its east-west course. As a regional financial, service, and distribution center, Fairbanks is similar in many respects to Whitehorse, Yukon Territory and Yellowknife, Northwest Territories in northwest Canada. Fairbanks is approximately 360 miles via Parks Highway north of Anchorage and approximately 3½ hours northwest of Seattle by air. Based on current populations of the city (32,000±) and borough (97,500±), it is estimated that the population of the subject area is close to 50,000. City and borough populations have changed +4% and +25%, respectively, since the 1990 census; +6% and +18%, respectively, since the 2000 census (Alaska DOL & DCCED, & Census).

Major influences that drive the area’s economy are Fairbanks International Airport, Fort Wainwright Army Base, Eielson Air Force Base, University of Alaska, Alaska Railroad, Fort Knox and Pogo Gold Mines, Fairbanks Memorial Hospital, Alyeska Pipeline Service Company, North Slope oil industry service companies, oil refinery at North Pole, and area Native Corporations headquarters offices. Overall, *Fairbanks Community Research Quarterly* states that “In the fourth quarter of 2008, the Fairbanks North Star Borough economy continued to hold its own amidst global financial difficulties. Economic indicators were mixed.....with a few signs of stress (foreclosures, unemployment and vacancy rate) as well as resilience (residential housing and jobs).” Despite an overall increase in population, military levels fluctuate as a result of troops rotating to and from Iraq and Afghanistan; holding near 7,700, down 29% during the past year from the highest number of active duty personnel on Fort Wainwright Army Base and Eielson Air Force Base (10,800). The number of military dependents remains generally unchanged during recent years. Significant factors contributing to the Fairbanks area economy recently include the \$100 million renovation of Fairbanks International Airport (primarily the terminal building), \$30 million Morris Thompson Cultural and Visitors Center (downtown), continuing retail development in the northeast sector including a major expansion of the Wal-Mart store, and 251 new and 19 remodeled houses on Fort Wainwright Army Base. Forecasts for 2009 include \$60-65 million for commercial construction within the City of Fairbanks (compared to the 30-year historical annual average of

\$46-52 million), road upgrades of approximately \$42.3 million, Fort Wainwright projects totaling \$200-300 million, and Eielson AFB projects of \$19.2 million (\$74.2 million for stimulus funded projects expected after September). Economic factors relating to Fairbanks International Airport were generally down in 2008, compared to 2007 – minus 5%± for all factors except outgoing freight (+10.6%). As a regional hub, Fairbanks has evolved into the economic and cultural hub for Interior and Northern Alaska, including major support for the North Slope oil fields by support services located in the primary industrial areas of south (including subject properties) and north-central Fairbanks. The positive effects of record high oil income for the state (when such occurs) that filters down to Fairbanks in various forms is offset by the associated high energy costs that impact all components of the Fairbanks economy. The timing of a natural gas pipeline from the North Slope to the lower-48 states or Valdez passing through the Fairbanks area is still speculative at this time. Fairbanks would benefit by the employment opportunities during construction of the project and availability of natural gas for heating and potential generation of electricity.

Fairbanks has a perimeter transportation system with Johansen Expressway on the north, Steese Expressway on the east connecting with Richardson Highway, and Mitchell Expressway on the south and west connecting with Parks Highway just east of Fairbanks International Airport. Major retail growth is occurring in the northeast quadrant on land owned by the Bentley Family Trust; secondary retail development is occurring in the southwest quadrant oriented to Airport Way and University Avenue. Industrial development is primarily oriented to south Fairbanks along and near Van Horn Road, the Aurora neighborhood, railroad properties in north-central Fairbanks, and both sides of Fairbanks International Airport. Several new hotels have been developed throughout the area during recent years; supported in part by the tourism industry. Government continues to be the main source of employment in the area, followed by the service industry. Gold mining contributes approximately 600 jobs; primarily at the Fort Knox and Pogo mines.

The Neighborhood for the subject properties consists of the area south of Chena River, west of University Ave. and generally surrounding Fairbanks International Airport. This area lies within the southwesterly portion of greater Fairbanks, outside city limits, approximately 4 miles southwest of the downtown business district. Originally settled by homesteaders, subsequent development has been oriented to Fairbanks International Airport which replaced Ladd Airfield (Ft. Wainwright) as the primary commercial airport in 1954. Areas surrounding the airport are presently developed for residential use (north of Airport Way), commercial (along Airport Way and at the intersection of University Ave.) and airport commercial and industrial (surrounding the airport). Development within the airport area, originally a part of the Lloyd Pike Homestead, includes a variety of commercial and industrial uses that are primarily oriented to aviation and auxiliary uses; including the main branch of the U.S. Post Office for Fairbanks. Nearby development includes Pikes Landing and Waterfront Hotel (restaurant/lounge and hotel), located between Airport Way and Chena River, and Fairbanks Princess Hotel (two of the major hotels in Fairbanks), smaller hotels and visitor accommodations, vehicle rental facilities, commercial aviation development, and a cluster of mixed commercial and residential development along Airport Way between the intersection of Parks Highway and University Ave. Major, national-franchised, commercial retail facilities are located at the intersection of Airport Way and University Ave.

Access to the neighborhood is oriented primarily to Airport Way which, combined with George Parks Highway, is the major route from the west into downtown Fairbanks. University Ave. extends south and west from its intersection with Airport Way to serve the southeast side of the

airport (oriented primarily to general aviation and the float plane pond). Parks Highway, which intersects with Airport Way just northeast of the airport provides the closest access to areas across Chena River from the subject neighborhood. Davis Road, Cartwright/Van Horn Road and an Alaska Railroad spur track ½ mile south of Cartwright/Van Horn Road connect between the subject neighborhood and the South Fairbanks industrial area and eventually Richardson Highway, the main highway south from Fairbanks. A major west/east arterial, Robert J. Mitchell Expressway), connects between the terminus of Parks Highway and Richardson Highway. All of the subject neighborhood is served by electrical (Golden Valley Electric Assn.) and telephone (Municipal Utilities System) services; only portions of the neighborhood, generally close to Airport Way, some residential areas and surrounding the airport, are served by public water and sewer facilities (College Utilities Corp.). Natural gas was extended by Fairbanks Natural Gas into the neighborhood along the north side of Airport Way in 2007. Mostly situated outside Fairbanks city limits, the subject neighborhood is under jurisdiction of Fairbanks North Star Borough with respect to zoning, taxation, public schools and other services or regulatory controls.

Located between Chena and Tanana Rivers near their confluence, the subject neighborhood has soils generally described as alluvial (Salchaket very fine sandy loam) with sandy-gravel subsurface soils overlain by silts and sand deposited 2-6 feet in local sloughs. The water table varies between 8 and 10 feet below the surface and flows toward Chena River. Frost depth is typically 8-10 feet below the surface with permafrost below 30 feet, if present at all. Flood control projects by the U.S. Corps of Engineers and Fairbanks North Star Borough during the past 40 years (subsequent to a major flood in 1967) have effectively protected the subject neighborhood from flooding from either river.

The subject neighborhood is expected to continue to be developed similarly to what presently exists, based on the presence of Fairbanks International Airport and borough zoning. With the current subdued economy expected to continue for the next several years, or so, it is not anticipated that many, if any, major developments will occur on either public airport or private properties in the subject neighborhood; owners will generally maintain a low profile with respect to investment and operational capital until the economy improves.

## **ZONING**

The entire area surrounding the airport, including all three subject properties, is zoned LI/ANSA – Light Industrial/Airport Noise Sensitive Area. “This district is intended to provide for light manufacturing, fabricating, assembly, disassembly, processing and treatment activities in an urban or suburban environment.” (Refer to the Addenda for more details.)

## HIGHEST AND BEST USE

Highest and Best Use is defined in The Dictionary of Real Estate Appraisal, Fourth Edition 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 that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

Each of the subject properties is considered *as if vacant and unimproved*, other than the contributory value to Lot 5, Block 4 of asphalt paving, for the purpose of these appraisals and is analyzed as to legal permissibility (controlled by zoning, covenants, easements, restrictions, etc.), physical possibility (primarily soils conditions; occasionally shape and/or topographical features), financial feasibility (relating to market demand), and maximum productivity (which financially feasible use is maximally productive). The conclusion of highest and best use for each property is included with their separate portion of the report following the Market Data and Analyses portion of the report.

## MARKET DATA AND ANALYSES

Valuation of each of the subject properties is an analysis of land value that is accomplished best by the sales comparison approach. As effectively unimproved land for the purpose of these appraisals, the cost and income capitalization approaches are not applicable to valuation of the subject properties. The asphalt paving on Lot 5, Block 4 is considered on the basis of its contribution to overall property value. Nonuse of these approaches is a condition of the market, not a limitation of the appraisal process as a departure from standards. Although one of the properties includes two lots, the lots are contiguous and used as a single property; thus all three subject properties are valued as single tracts.

Market data that are considered relevant for valuation of the subject properties include sales and current listings of properties on which industrial development is permitted that are located in the subject, or similar, neighborhood, as follows:

**SUMMARY OF COMPARABLES**

<u>No.</u>	<u>Location Description</u>	<u>Date</u>	<u>Price</u>	<u>Acres</u>	<u>Price/SF</u>	<u>Zoning</u>
1	NEC N. Van Horn & Standard 2, LV Subdivision	1/05	\$163,350	2.52	\$1.49	GU-1
2	SWC Tesoro & St. Philomena 1-4/B, Grace Park	6/08	400,000	4.36	2.11	GU-1
3	North Side of Mail Trail TL-2326, Sec. 23, T1S, R2W, FM	5/09	500,000 Listing	4.13	2.78	LI/ANSA
4	NWC Dale & Discovery 1&5, Dale Industrial Park	3/06	671,000	4.20	3.67	LI
5	SWC Lathrop & Tesoro 1-4/A, Grace Park	4/06	693,995	4.25	3.75	GU-1
6	E. of Kiana St. btwn 20 <sup>th</sup> & 21 <sup>st</sup> W½, Bl.13, E.M. Jones Hmstd.	5/05	105,000	1.61	1.50	LI
7	SEC Van Horn Rd. & Leasure St. 7A&7B/2, Wise Industrial Pk. #2	1/05	160,000	1.97	1.87	GU-1
8	West Side of Discovery Drive 6&7, Dale Industrial Park, 1 <sup>st</sup> Add.	4/06	180,164	2.07	2.00	LI
9	E. of Industrial btwn. 30 <sup>th</sup> & Stan. 1/F, Sadco Subdivision	1/06	120,000	1.22	2.27	GU-1
10	SW of Phillips Field & Peger Rds. A-3-A, Phillips 1 <sup>st</sup> Addition	8/05	210,286	1.93	2.50	LI
11	SWC Van Horn Rd.&Worrell Ave. TL 2006 & 2007, Sec. 20, 1S, 1W	8/08	60,000	0.72	1.92	LI
12	E of N.Van Horn, N. of Van Horn 1/LV Subdivision	1/08	100,000	0.92	2.50	GU-1
13	NWC Standard Ave. & Shell St. 5/2, Van Horn Industrial Park #1	10/06	122,000	1.00	2.80	GU-1
14	SWC Van Horn Rd. & Schacht St. 11A/1, Metro Industrial Park	10/07	95,000	0.76	2.85	HI
15	S of Hughes Ave., W of Cushman 1B1, Rees #5	1/08	100,000	0.69	3.33	GU-1

There may be differences between the comparables and a subject property, such as: real property rights conveyed, financing terms, conditions of sale, market conditions (since date of sale), location, access, size, availability of utilities, physical characteristics (amount of site preparation, soils quality, etc.), and potential for development. It may be necessary to make adjustments to the actual price reflected by a comparable for whichever differences affect value to provide an indication of market value to the subject property.

Real property rights conveyed, financing terms (including discounting asking prices of current listings) and conditions of sale reflect somewhat esoteric situations that are generally non-typical for most sales of properties. If, however, any of these items are evident for a sale or listed property, a qualitative adjustment (+) or (-) is made when comparing the comparable to a subject property.

Industrial-type properties throughout Fairbanks were experiencing increasing prices/values during the past several years, through most of 2008; generally stabilized thus far in 2009. Market data reviewed in preparation of this appraisal report include the following paired sales that are generally comparable for various attributes that affect price/value; primary differences mostly due to market conditions:

<u>Description (Comp. No.)</u>	<u>Sq. Ft.</u>	<u>Date</u>	<u>\$/SF</u>	<u>Difference Per Year <sup>(1)</sup></u>
1/F/Sadco Industrial Park (9)	52,956	1/06	2.27	
1/LV Subdivision (12)	40,000	1/08	2.50	+ 5.07%
7/1 Metro Indus.	74,880	2/05	2.34	
11A/1/Metro Ind. (14)	33,280	10/07	2.85	+ 8.17%
W½/13, E.M. Jones Hmstd. (6)	70,000	5/05	1.50	
TL2006&07, Sec.20,1S,1W (11)	31,200	8/08	1.92	+ 8.68%
Tr. A/Grace Park	545,550	5/05	3.00	
Tr. A/Laurel Park 5 <sup>th</sup>	572,945	3/07	3.75	+11.52%
Tr. B/Grace Park	321,813	8/04	2.30	
1A-3&A1/Mariner	399,445	6/07	3.30	+15.35%

<sup>(1)</sup> Simple Interest

The differences for the above-listed paired sales, considered to be mostly related to market conditions, range between +5.07% per year and +15.35% per year; the mean is calculated to be +9.76% per year. By comparison, assessed values of nearby off-arterial roads properties have increased at an average rate of +8% per year between 2004 and 2008. Part of the difference between sale prices of the second-listed pair could be attributable to the smaller size of Lot 11A, thus a lower difference might be true. The same might be considered for the third pair, plus an access adjustment might be appropriate for Tax Lots 2006 and 2007. Based on the analyses of these five sets of sales, but with most emphasis on the first three pairs as similar-size properties compared to the subject properties, an adjustment of +8% per year is estimated for market conditions through 2008; none since.

Location of the subject properties close to Fairbanks International Airport provides the opportunity for movement of freight into and away from the Fairbanks area by air, similar in many respects to properties having rail access in other parts of Fairbanks. The market doesn't reflect significantly different values, higher or lower, for properties with either of these attributes when compared to properties that are accessed primarily by truck. With highest and best uses for commercial and or industrial use oriented to Airport Way and South University Avenue, there is no significant difference between the subject properties and other primary industrial districts in the Van Horn Road and Aurora neighborhoods. Thus, adjustments for location are not made when comparing Van Horn and Aurora areas properties to the subject properties. Any locational difference for properties located on the west (Airport Way) side of the airport and the east (other) side are recognized by selection of comparables that are similarly located on or off arterial roads/streets.

Qualitative adjustments are based on whether a comparable is inferior (+) or superior (-) to a subject property for type and ease of access, such as multi-street access, dead-end street, etc.

The comparables are grouped on the basis of generally similar sizes compared to the particular subject property analyzed; e.g., Comparables 1-5, which range in size between 2.52 acres and 4.36 acres, are compared to Lot 5, Block 4, which contains 4.01 acres (Comps 2-5 range in size between 4.13 and 4.36 acres, effectively the same as Lot 4, Block 5). If any of the comparables in a group is significantly different in size than a subject property, a qualitative adjustment (+) or (-) is appropriate.

Comparables having natural gas available to the property are considered superior to the subject properties, especially Lot 6A, Block 100, and are adjusted (-) to reflect such difference. If a comparable does not have water and/or sewer utilities available, a qualitative adjustment (+) or (++) is appropriate when compared to a subject property.

Typically, properties located in the industrial and general use areas of Fairbanks require some amount of site preparation before constructing buildings or using the property for other industrial or commercial uses. The degree of site preparation is primarily related to the extent of clearing unnecessary vegetation, excavating and removing poor soils, and adding a sufficient amount of non-frost-susceptible gravel to provide building pads, parking areas, and areas for storage of materials, equipment, and or vehicles. To recognize differences between the comparables and a subject property, qualitative adjustments (+) or (-) are made on the basis of the degree of difference; minor, moderate or significant.

Historic rental data for Fairbanks International Airport and Ted Stevens Anchorage International Airport have effectively established a ratio between generally unrestricted use "non-aviation" properties (auxiliary use) and properties restricted for aviation use of 12:9 (\$0.12 per sq. ft. to \$0.09 per sq. ft.); or -25%. This ratio is considered to be the best market evidence for such; thus properties designated for "aviation use" are adjusted -25% to reflect this limitation, compared to off-airport comparables that can be developed for any use allowed by zoning.

In addition to the foregoing types of differences between a comparable and a subject property, overall potential for development relating to traffic exposure, corner location, and similar attributes are recognized also with qualitative adjustments.

## MARKET RENTAL RATE ANALYSIS

Following is a composite summary of mostly long-term rental rates from data I have compiled:

Lessor	Rate
<b><u>Public Lands</u></b>	
Alaska Department of Natural Resources .....	8-10%
Fort Knox Gold Mine Lease .....	8%
Alaska Mental Health Trust Land Office.....	10%
Alaska Railroad Corporation .....	8-10%
Bureau of Indian Affairs .....	8-12%
Bureau of Land Management - Alaska .....	8%
U.S. Fish and Wildlife Service.....	9%
City of Cordova .....	9%
City of Homer .....	8-9%
City of Kenai.....	6%
City of Kodiak .....	10%
City of St. Mary's .....	16+% <sup>(1)</sup>
City of Seward .....	8%
City of Sitka.....	9%
City of Skagway.....	8%
City of Valdez.....	10%
City/Borough of Juneau .....	7.8-10%
Fairbanks North Star Borough.....	8%
Kenai Peninsula Borough .....	8%
Matanuska-Susitna Borough.....	8-10%
Municipality of Anchorage.....	9-10%
University of Alaska .....	8-10%

(1) Lease of the fuel tank farm site on Airport Road is based on a royalty for gallonage stored, distributed or sold each year which reflects rental rates that ranged between 16% and 46% for three years in the mid-1990s.

### **Private Lands**

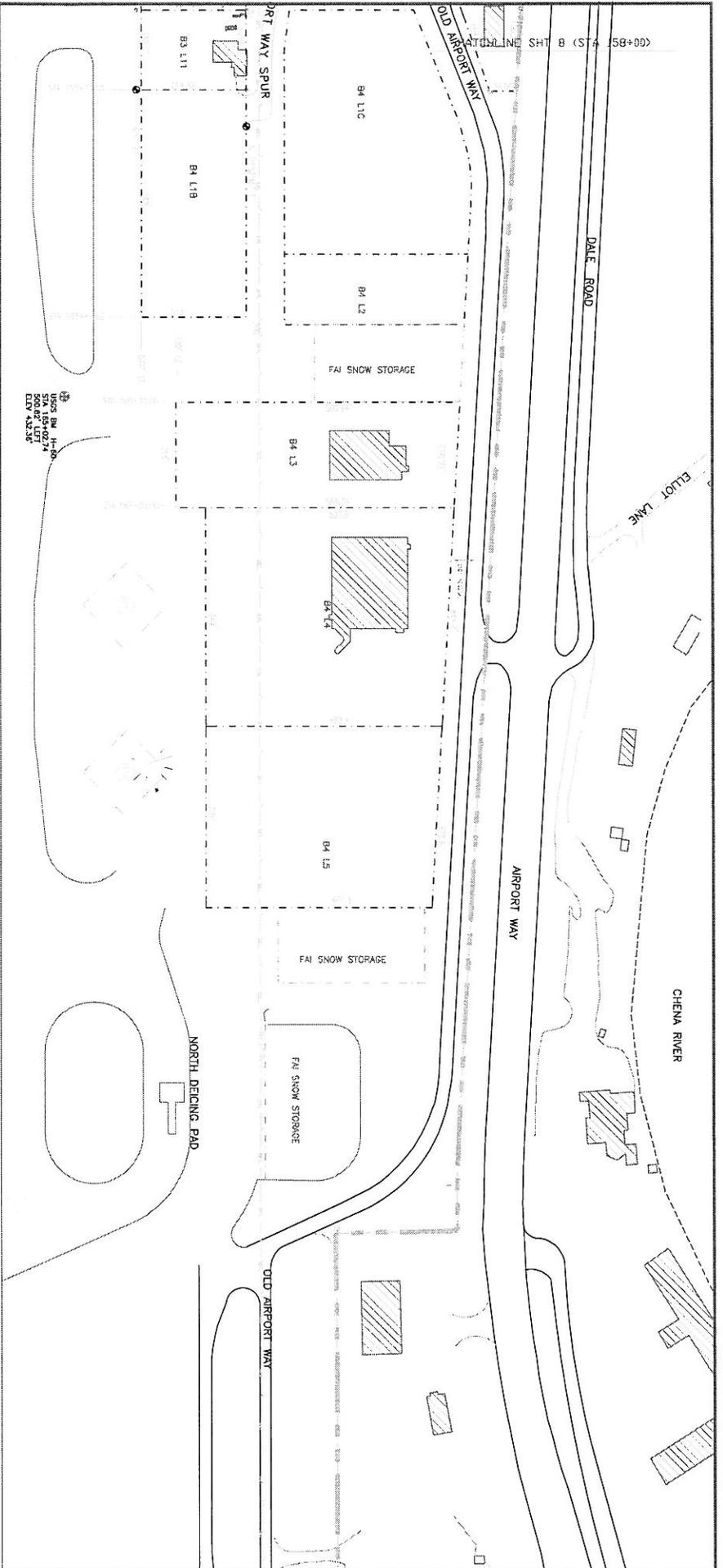
Bristol Bay Native Corporation .....	7-8%
Calais Company (Anchorage) .....	7-8%
Cook Inlet Region, Inc.....	8-9%
Gana A'Yoo, Ltd. (Galena) .....	8%
Eklutna, Inc. ....	8%
Newcomb Family Trust .....	8.13%
Ounalashka Corporation .....	8-12%
Remote Lodge Sites (Southwest Alaska).....	8-13.46%

Recognizing the current economic conditions, which aren't reflected in available market data (closed sales), and the general restrictions of airport leases relative to uses being oriented primarily to airport activities, for both aviation and auxiliary uses, a rental rate near the lower end of the basic range of rates indicated for long-term leases of 8% is estimated to be appropriate for leases of the subject properties.

**This concludes the General Report. Following are the continued portions of the appraisals of each of the subject properties in separate sections, beginning with Lot 5, Block 4.**

BLK	LOT	ADA NO.	AREA (SQ FT)	LESSEE	EXP. DATE
3	11	70841	34653	EVERIS, C.R. D/B/A ALASKA REVENUE AND	30-Apr-07
4	18				
4	16				
4	2	90232	124080	ADL FAIRBANKS, LLC	30-Jun-18
4	3	90532	219886	AIRPORT EQUIPMENT RENTALS, INC.	30-Jun-18
4	4				
4	5				
4	6				
4	7				
4	8				
4	9				
4	10				
4	11				

**LAND OCCUPANCY**



NOTE: DIMENSIONS AND DISTANCES GIVEN UNLESS OTHERWISE SPECIFIED ARE IN FEET EXCEPT BLOCK 3 LOT 19 (SUTJUHANN)

SCALE IN FEET

STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES  
FAIRBANKS  
INTERNATIONAL AIRPORT

APPROVED: [Signature] DATE: 10/05/16  
BY: [Signature] DATE: 10/05/16

REVISIONS

NO.	DATE	DESCRIPTION
1	10/05/16	UPDATE CHANGE

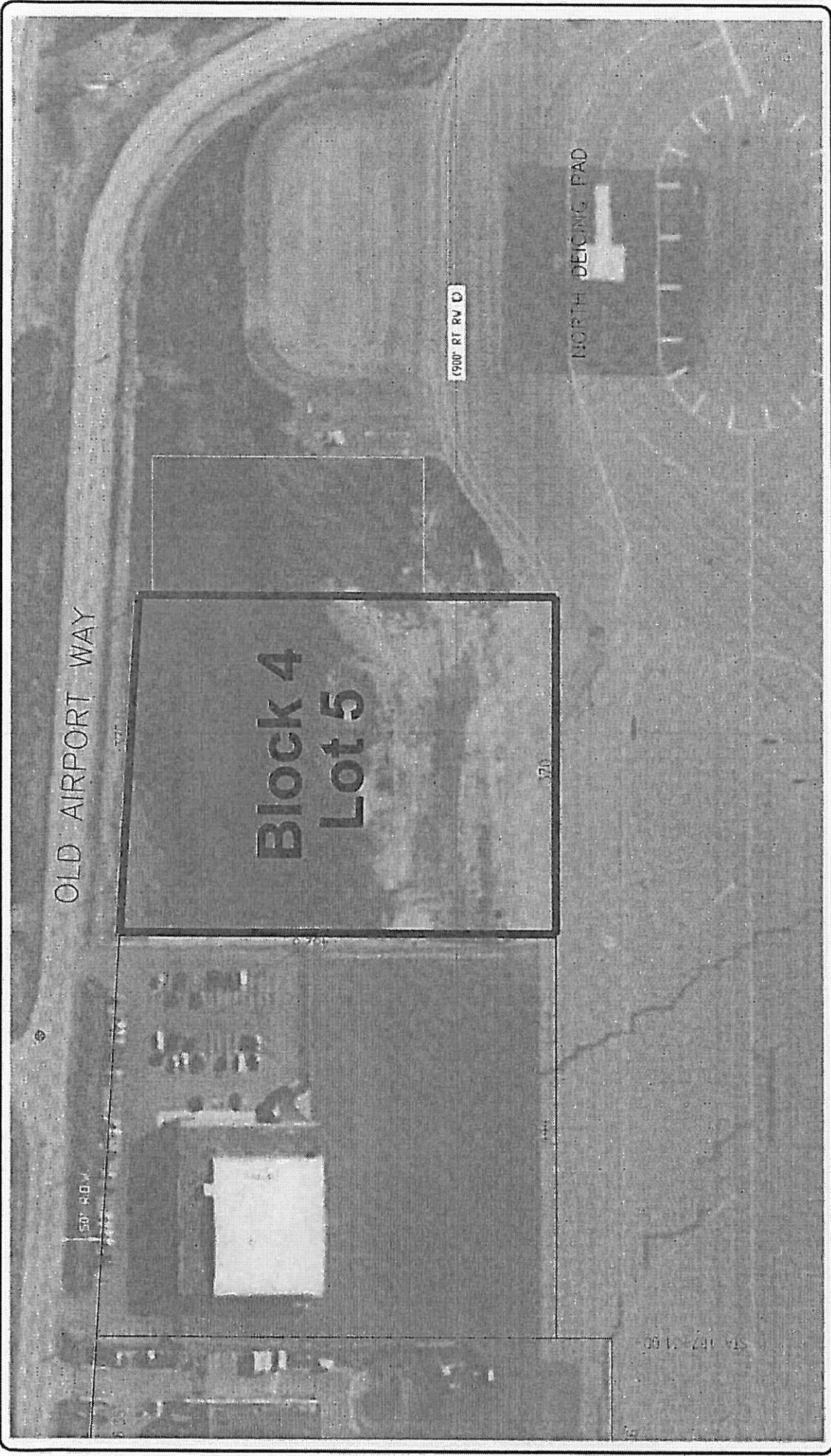
AKS 10/05/16 UPDATE CHANGE

DATE 10/05/16

BY [Signature]

DATE 10/05/16

BY [Signature]



SHEET 1 of 1

FAIRBANKS INTERNATIONAL AIRPORT

Exhibit A



Block 4, Lot 5

BY	DATE	REVISIONS

DESIGN \_\_\_\_\_  
 DRAWN BY: AJZ/ADP  
 CHECKED \_\_\_\_\_

**Lot 5, Block 4 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Northeasterly along Old Airport Way; subject lot on right beyond driveway



Westerly portion of subject lot from its southerly line

**Lot 5, Block 4 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Easterly portion of subject lot from its southerly line



Southeasterly portion of subject lot

## **LOT 5, BLOCK 4**

**Shape, Size, and Area** – Somewhat trapezoidal shape; basic dimensions are 370 feet along the south line, 482.6 feet along the west line and 461.5 along the east line; containing 174,671 sq. ft. or 4.01 acres (refer to the Property Plat for details)

**Accessibility and Road Frontage** – Unrestricted access for 370.6 feet along the easterly side of Old Airport Way (asphalt paving in fair condition); also direct access for 370 feet along Taxiway A

**Topography, Soils Conditions, and Drainage** – Level, at street grade; base soils are classified as Salchaket very fine sandy loam, a well-drained soil that is underlain by thick deposits of coarse sand and gravel; exposed surface soils are gravelly material on filled areas

**Utilities** – Water, sewer, electricity and telephone services are available to the property; natural gas is located on the north side of Airport Way, not generally available to the subject property

**Easements** – None known

**Present Use** – Vacant; a portion is used for snow storage; another portion is paved and used by the adjacent property lessee for aircraft parking during the current runway rehabilitation project

**Zoning** – The Light Industrial District permits industrial uses that are not categorized as heavy industrial, also uses that are permitted in the commercial districts; precluding residential development and school buildings.

**Aviation Use** – The subject property is designated by the State of Alaska as “Aviation Use”, which relates primarily to development that is oriented to properties having direct access to the airport runway via taxiways. Specific uses for the subject lot are listed in the AK DOT&PF Memorandum in the Addenda. A buildings set-back line is 140 feet from the airport-side property line.

**Environmental Issues** – No significant evidence of hazardous materials or soils contamination was observed during the onsite inspection.

**Flood and Earthquake Concerns** – The subject property is located in Flood Zone X (500-year event); not generally susceptible to periodic flooding. Fairbanks is located in an area of Alaska that is not known to be seismically active.

**Real Property Improvements** – A portion of the property adjacent to the taxiway, measuring 106 feet by 232 feet (24,592 sq. ft.), is improved with asphalt paving. A portion along the west line has been partially improved with gravel fill.

**Specialty Items/Fixtures** – None

**Assessed Value** – Considered as unimproved land, the subject property has not been assessed by the Fairbanks North Star Borough (Borough PAN 559792).

**Highest and Best Use** – Some type of commercial and/or light industrial use that takes advantage of its location on Fairbanks International Airport with direct taxiway access; benefiting by its proximity to Airport Way at the Dale Road intersection; limited, however to aviation use

## Comparables Analyses

### COMPARABLES ADJUSTMENT GRID – LOT 5, BLOCK 4

<b><i>Comparable No.</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>4</i></b>	<b><i>5</i></b>
Sale Date	1/05	6/08	5/09	3/06	4/06
Size (Sq. Ft.) <sup>(1)</sup>	109,945	189,889	179,903	182,821	185,065
Price/SF	\$1.49	\$2.11	\$2.78	\$3.67	\$3.75
Property Rights	-0-	-0-	-0-	-0-	-0-
Financing Terms	-0-	-0-	-0.28 <sup>(2)</sup>	-0-	-0-
Conditions of Sale	-0-	-0-	-0-	-0-	-0-
Market Conditions	+0.48	+0.10	-0-	+0.83	+0.83
<b><i>Adjusted Price/SF</i></b>	<b><i>\$1.97</i></b>	<b><i>\$2.21</i></b>	<b><i>\$2.50</i></b>	<b><i>\$4.50</i></b>	<b><i>\$4.58</i></b>
Location	-0-	-0-	-0-	-0-	-0-
Access	-0-	-0-	-0-	-0-	(-)
Size	(-)	-0-	-0-	-0-	-0-
Utilities	(-)	(+)	-0-	(-)	(-)
Physical Characteristics	(+)	(+)	(-)	(-)	(+)
Aviation Use Designation	-0.49	-0.55	-0.63	-1.13	-1.15
<b><i>Value Indicated to Subject Property/SF</i></b>	<b><i>&lt;\$1.48</i></b>	<b><i>&gt;\$1.66</i></b>	<b><i>&lt;\$1.87</i></b>	<b><i>&lt;\$3.37</i></b>	<b><i>&lt;\$3.43</i></b>

<sup>(1)</sup> Subject Property (platted area) – 174,671 Sq. Ft. (4.01 acres)

<sup>(2)</sup> Realtor estimates market price is approximately 10% less than the listed price

Comparable 1, located at the northeast corner of North Van Horn Road and Standard Avenue in the south Fairbanks industrial area, contains 109,945 sq. ft. (2.52 acres) and sold in January 2005 for a price of \$1.49 per sq. ft. It has subsequently been listed for a price of \$2.96 per sq. ft. (almost double). Other than lakeside residential development to the west across North Van Horn Road, surrounding development is a mix of industrial and commercial uses. All utilities are available and both streets are paved. The lot has a medium dense tree cover of spruce and birch. Compared to Lot 5, Block 4, Comparable 1 is adjusted for market conditions and size, superior for availability of natural gas, inferior for physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$1.48 per sq. ft.

Comparable 2, located at the southwest corner of Tesoro Avenue and St. Philomena Street in the south Fairbanks industrial area, contains 189,889 sq. ft. (4.36 acres) and sold as part of a package that included land on the other side of Van Horn Road in June 2008 for an allocated price of \$2.11 per sq. ft. It consists of four lots that creates a long narrow larger tract; suitable for selling separate lots without costs of subdivision. Compared to Lot 5, Block 4, Comparable 2 is adjusted for market conditions, superior for availability of natural gas, inferior for availability of water and sewer, inferior for physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is higher than \$1.66 per sq. ft.

Comparable 3, located on the north side of Mail Trail the second lot west of Airport Industrial Road and adjacent to the east of the main post office facility for Fairbanks, contains 179,903 sq. ft. (4.13 acres) and is currently listed for a price of \$2.78 per sq. ft. The entire site has been cleared and surfaced with gravel fill. The realtor considers the listed price to be about ten percent higher than

the amount he expects it will sell. Compared to Lot 5, Block 4, Comparable 3 is adjusted for its status as a listing, superior for physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$1.87 per sq. ft.

Comparable 4, located at the northwest corner of Dale Road and Discovery Drive north of the airport, contains 182,821 sq. ft. (4.20 acres), and sold in March 2006 for a price of \$3.67 per sq. ft. The property has been developed with a hotel that is within walking distance of the airport terminal. The entire site was cleared and surfaced with gravel fill. Compared to Lot 5, Block 4, Comparable 4 is adjusted for market conditions, superior for availability of natural gas and physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$3.37 per sq. ft.

Comparable 5, located at the southwest corner of Lathrop Street and Tesoro Avenue, contains 185,065 sq. ft. (4.25 acres) and sold in April 2006 for a price of \$3.75 per sq. ft. The property has subsequently been developed with a plumbing wholesale supply facility, an industrial use on a major arterial street. Compared to Lot 5, Block 4, Comparable 5 is adjusted for market conditions, superior for access along Lathrop Street between Mitchell Expressway and Van Horn Road, superior for availability of natural gas, inferior for physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$3.43 per sq.ft.

#### RECONCILIATION AND CONCLUSION OF LAND VALUE

The comparables, when compared to the subject property in the foregoing analyses and with adjustments applied for various differences, both qualitative and quantitative, indicate the following values:

<u>Comparable</u>	<u>Value Per Sq. Ft. Indicated to Lot 5, Block 4</u>
1	Less than \$1.48
2	Higher than \$1.66
3	Less than \$1.87
4	Less than \$3.37
5	Less than \$3.43

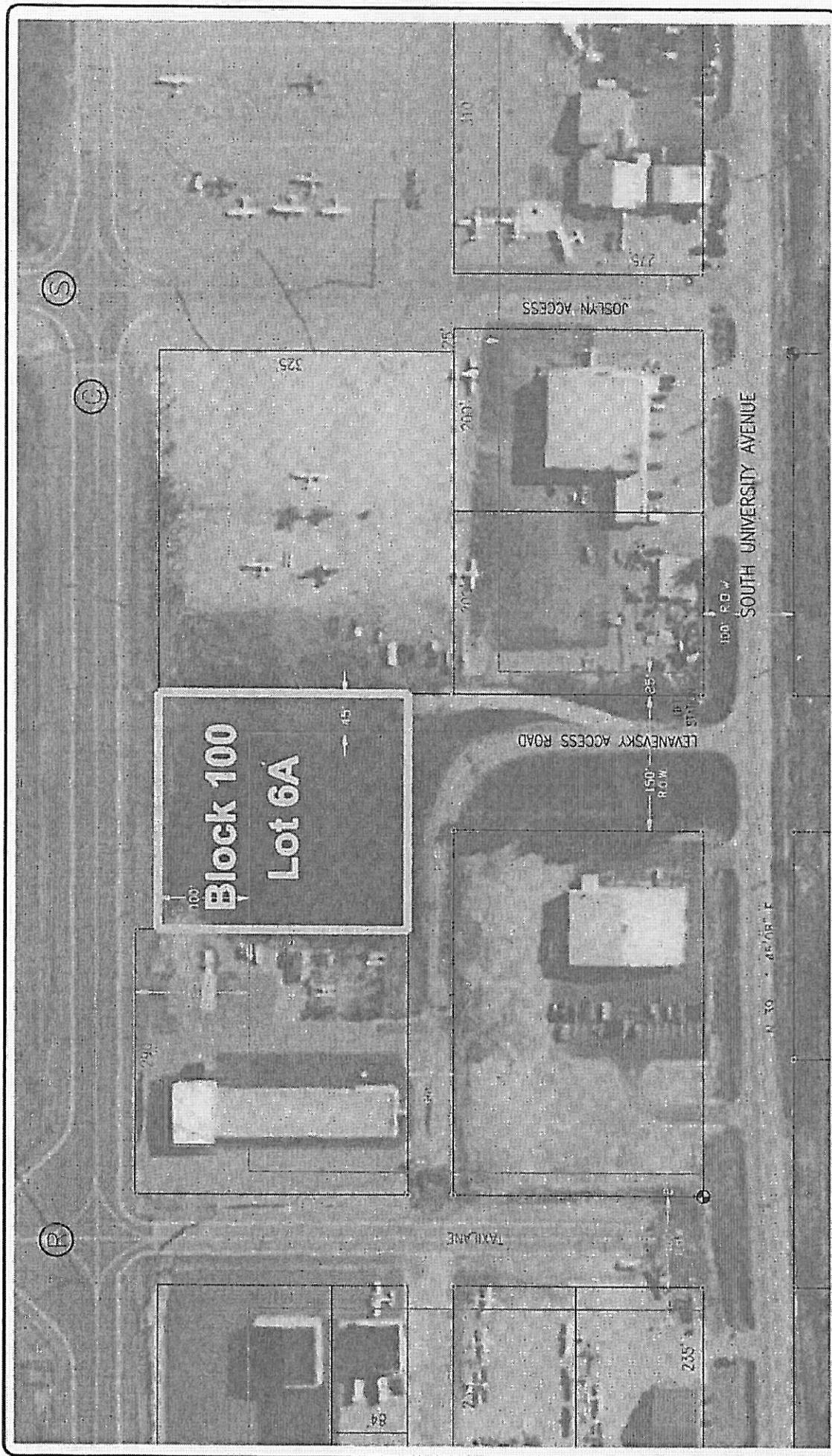
The five comparables indicate values to the subject property ranging between an amount that is less than \$1.48 per sq. ft. and an amount that is less than \$3.43 per sq. ft.; a wide range. Comparables 2-5 are most similar to the subject property for size and indicate a somewhat narrower range between an amount that is higher than \$1.66 per sq. ft. and an amount that is less than \$3.43 per sq. ft.; still a wide range. Comparables 3 and 4 are most similar to the subject property for location near and on the north side of the airport. If the various (+) and (-) adjustments are assigned an arbitrary 10% factor in order to quantify the adjusted indicated values, Comparables 1-5 would indicate a range of values between \$1.33 per sq. ft. and \$3.09 per sq. ft.; with a mean indicated value of \$2.17 per sq. ft. and median value of \$2.01 per sq. ft. The current market value of Lot 5, Block 4, not including asphalt paving, is estimated to be \$2.25 per sq. ft. Based on a market rental rate of 8%, **market rental value** is calculated to be **\$0.18 per sq. ft. per year**.

## MARKET RENTAL VALUE OF PROPERTY

Based on current asphalt paving costs for the Fairbanks area, the contributory value of the paved apron area is estimated to be \$3.00 per sq. ft. Market rental value of Lot 5, Block 4, as developed with 24,592 sq. ft. of asphalt paving, is calculated as follows:

Land Value: 174,671 Sq. Ft. @\$2.25 Per Sq. Ft.	\$393,010
Contributory Value of Paving: 24,592 SF @\$3.00/SF	<u>73,776</u>
Market Value of Property, As Improved	\$466,786
Market Rental Rate (8%)	x <u>0.08</u>
<b>Current Market Rental Value of Property</b>	<b>\$ 37,343</b>





DESIGN _____	BY DATE _____	REVISIONS _____	
DRAWN BY JLD/2009			
CHECKED _____	Bik 100, Lot 6A		Exhibit A
FAIRBANKS INTERNATIONAL AIRPORT			

**Lot 6A, Block 100 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Northeasterly along Lavanevsky Access Road; subject lot on left



Northwesterly of subject lot from a point near its south corner

**Lot 6A, Block 100 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Northeasterly along Taxiway C; subject lot on right



Westerly of subject lot from a point near its east corner

## **LOT 6A, BLOCK 100**

**Shape, Size, and Area** – Square shape; dimensions are 260 feet along the westerly line and 275 feet along the easterly line; containing 71,500 sq. ft. or 1.64 acres (refer to the Property Plat for details)

**Accessibility and Road Frontage** – Unrestricted access for 260 feet along the westerly side of Lavanevsky Access Road, (asphalt paving in fair condition), one block off South University Avenue; also direct access for 260 feet along Taxiway C

**Topography, Soils Conditions, and Drainage** – Level, near street grade; base soils are classified as Salchaket very fine sandy loam, a well-drained soil that is underlain by thick deposits of coarse sand and gravel; exposed surface soils are organic overburden, 3-5 feet thick

**Utilities** – Water, sewer, electricity and telephone services are available to the lot; natural gas is not available on this side of the airport

**Easements** – 25-foot wide utility easement along the northerly property line

**Present Use** – Vacant, undeveloped

**Zoning** – The Light Industrial District permits industrial uses that are not categorized as heavy industrial, also uses that are permitted in the commercial districts; precluding residential development and school buildings.

**Aviation Use** – The subject property is designated by the State of Alaska as “Aviation Use”, which relates primarily to development that is oriented to properties having direct access to the airport runway via taxiways. Specific uses for the subject lot are listed in the AK DOT&PF Memorandum in the Addenda. Buildings set-back lines are 100 feet from the airport-side property line and 45 feet from the northerly property line.

**Environmental Issues** – No significant evidence of hazardous materials or soils contamination was observed during the onsite inspection.

**Flood and Earthquake Concerns** – The subject property is located in Flood Zone A (100-year event); not generally susceptible to periodic flooding. Fairbanks is located in an area of Alaska that is not known to be seismically active.

**Real Property Improvements** – None

**Specialty Items/Fixtures** – None

**Assessed Value** – Considered as unimproved land, the subject property has not been assessed by the Fairbanks North Star Borough (Borough PAN 545872).

**Highest and Best Use** – Some type of commercial and/or light industrial use that takes advantage of its location on Fairbanks International Airport with direct taxiway access and proximity to South University Avenue; limited, however to aviation use

## Comparables Analyses

### COMPARABLES ADJUSTMENT GRID – LOT 6A, BLOCK 100

<u>Comparable No.</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Sale Date	5/05	1/05	4/06	1/06	8/05
Size (Sq. Ft.) <sup>(1)</sup>	70,000	85,725	90,082	52,956	84,123
Price/SF	\$1.50	\$1.87	\$2.00	\$2.27	\$2.50
Property Rights	-0-	-0-	-0-	-0-	-0-
Financing Terms	-0-	-0-	-0-	-0-	-0-
Conditions of Sale	-0-	-0-	-0-	-0-	-0-
Market Conditions	+0.44	+0.60	+0.44	+0.54	+0.68
<b>Adjusted Price/SF</b>	<b>\$1.94</b>	<b>\$2.47</b>	<b>\$2.44</b>	<b>\$2.81</b>	<b>\$3.18</b>
Location	-0-	-0-	-0-	-0-	-0-
Access	-0-	(-)	-0-	-0-	(-)
Size	-0-	-0-	-0-	-0-	-0-
Utilities	(-)	±	-0-	±	±
Physical Characteristics	-0-	(-)	-0-	(-)	-0-
Aviation Use Designation	-0.49	-0.62	-0.61	-0.70	-0.80
<b>Value Indicated to Subject Property/SF</b>	<b>&lt;\$1.45</b>	<b>&lt;\$1.85</b>	<b>±\$1.83</b>	<b>&lt;\$2.11</b>	<b>&lt;\$2.38</b>

<sup>(1)</sup> Subject Property (platted area) – 71,500 Sq. Ft. (1.64 acres)

Comparable 6, located in the south Fairbanks industrial area on the east side of Kiana Street between 20<sup>th</sup> and 21<sup>st</sup> Avenues north of Davis Road, contains 70,000 sq. ft. (1.61 acres) and sold in May 2005 for a price of \$1.50 per sq. ft. The site has subsequently been filled with gravel and developed with a warehouse building. The only developed access at the time of sale was via gravel-surfaced Kiana Street off Davis Road. All utilities are available, including natural gas service. Compared to Lot 6A, Block 100, Comparable 6 is adjusted for market conditions, superior for availability of natural gas, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$1.45 per sq. ft.

Comparable 7, located at the southeast corner of Van Horn Road and Leasure Street in the south Fairbanks industrial area, contains 85,725 sq. ft. (1.97 acres) and sold in January 2005 for a price of \$1.87 per sq. ft. It consists of two lots; suitable for selling separate lots without costs of subdivision. The site is level, cleared and surfaced with gravel fill; completely fenced. Public water is not available. Compared to Lot 6A, Block 100, Comparable 7 is adjusted for market conditions, inferior for availability of water, superior for access (arterial road frontage), availability of natural gas and physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$1.85 per sq. ft.

Comparable 8, located along the west side of Discovery Drive north of Dale Road in the airport area, contains 90,082 sq. ft. (2.07 acres), and sold in April 2006 for a price of \$2.00 per sq. ft. The adjacent property to the south has been developed with a hotel. The entire site was tree covered at the time of the sale; all utilities, except natural gas were available. Compared to Lot 6A, Block 100, Comparable 8 is adjusted for market conditions, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is close to \$1.83 per sq. ft.

Comparable 9, located at the northeast corner of Industrial Avenue and Tesoro Avenue (dedicated right of way only) midway between 30<sup>th</sup> Avenue and Standard Avenue, contains 52,956 sq. ft. (1.22 acres) and sold in January 2006 for a price of \$2.27 per sq. ft. Industrial Avenue is paved; all utilities are available or close (sewer is three lots to the north). The property has been partially improved with gravel fill. Compared to Lot 6A, Block 100, Comparable 9 is adjusted for market conditions, inferior for availability of public sewer, superior for availability of natural gas and physical characteristics, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$2.11 per sq. ft.

Comparable 10, located along the southwesterly side of Phillips Field Road just to the west of Peger Road, contains 84,123 sq. ft. (1.93 acres) and sold in August 2005 for a price of \$2.50 per sq. ft. Phillips Field Road is paved; all utilities are available, or close (sewer is located nearby to the south of A&W Wholesale's lot). Nearby properties on the west side of Peger Road have been developing steadily during the past five years since being made available on the market. The property is tree covered; a positive attribute for developers in this neighborhood. Compared to Lot 6A, Block 100, Comparable 10 is adjusted for market conditions, superior for access (proximity to the intersection of Peger Road and Johansen Expressway), inferior for availability of public sewer, superior for availability of natural gas, adjusted to reflect aviation use limitation for the subject property, and indicates a value that is less than \$2.38 per sq. ft.

#### RECONCILIATION AND CONCLUSION OF LAND VALUE

The comparables, when compared to the subject property in the foregoing analyses and with adjustments applied for various differences, both qualitative and quantitative, indicate the following values:

<u>Comparable</u>	<u>Value Per Sq. Ft. Indicated to Lot 6A, Block 100</u>
6	Less than \$1.45
7	Less than \$1.85
8	Close to \$1.83
9	Less than \$2.11
10	Less than \$2.38

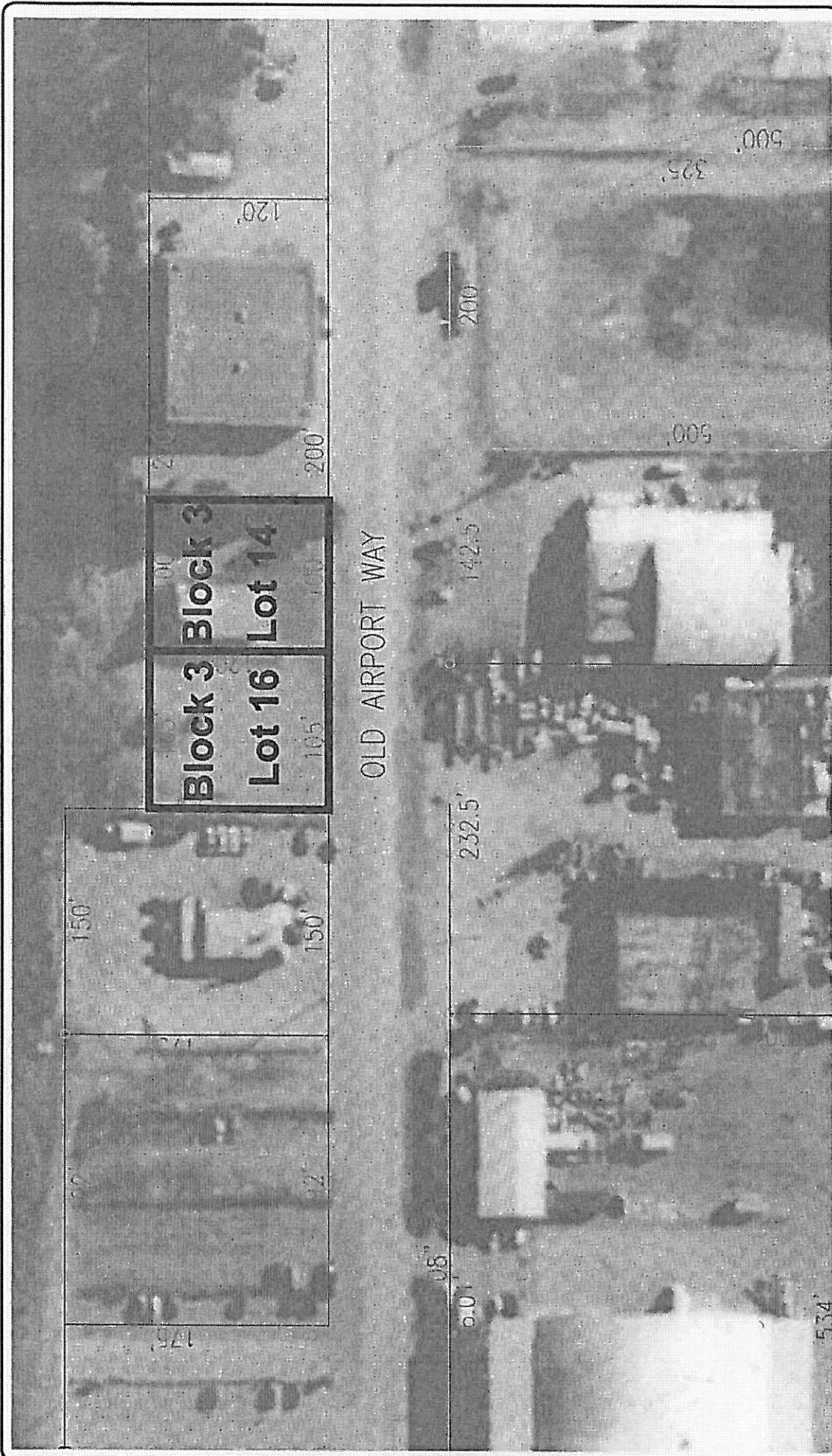
The five comparables indicate values to the subject property ranging between an amount that is less than \$1.45 per sq. ft. and an amount that is less than \$2.38 per sq. ft.; a wide range. All of the comparables are effectively similar to the subject property for size; thus are not adjusted for such. Comparables 6, 8 and 9 are generally similar for locations on side streets that are close to arterial roads. Comparable 8 is similar for its location close to the airport; possibly superior for being on the westerly side near the terminal facility. If the various (+) and (-) adjustments are assigned an arbitrary 10% factor in order to quantify the adjusted indicated values, Comparables 6-10 would indicate a range of values between \$1.31 per sq. ft. and \$2.14 per sq. ft.; with a mean indicated value of \$1.74 per sq. ft. and median value of \$1.83 per sq. ft. The current market value of Lot 6A, Block 100 is estimated to be \$1.75 per sq. ft. Based on a market rental rate of 8%, **market rental value** is calculated to be **\$0.14 per sq. ft. per year**.

**MARKET RENTAL VALUE OF PROPERTY**

Market rental value of Lot 6A, Block 100 is calculated as follows:

Land Value: 71,500 Sq. Ft. @\$1.75 Per Sq. Ft.	\$125,125
Site Improvements: None	<u>-0-</u>
Market Value of Property, As Vacant & Unimproved	\$125,125
Market Rental Rate (8%)	<u>x 0.08</u>
<b>Current Market Rental Value of Property</b>	<b>\$ 10,010</b>





DESIGN  
DRAWN BY JAZZ  
CHECKED

BY	DATE	REVISIONS

Block 3, Lots 14 & 16

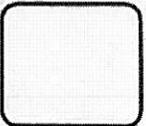


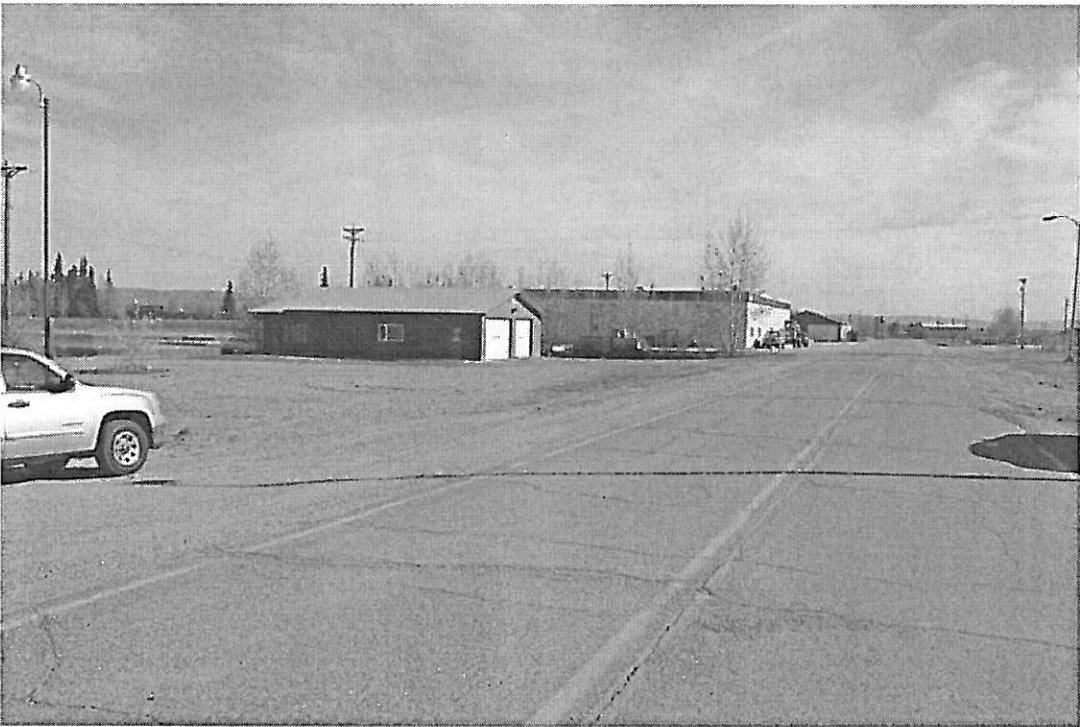
Exhibit A

FAIRBANKS  
INTERNATIONAL  
AIRPORT

**Lots 14 & 16, Block 3 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Northeasterly of subject lots, from Old Airport Way

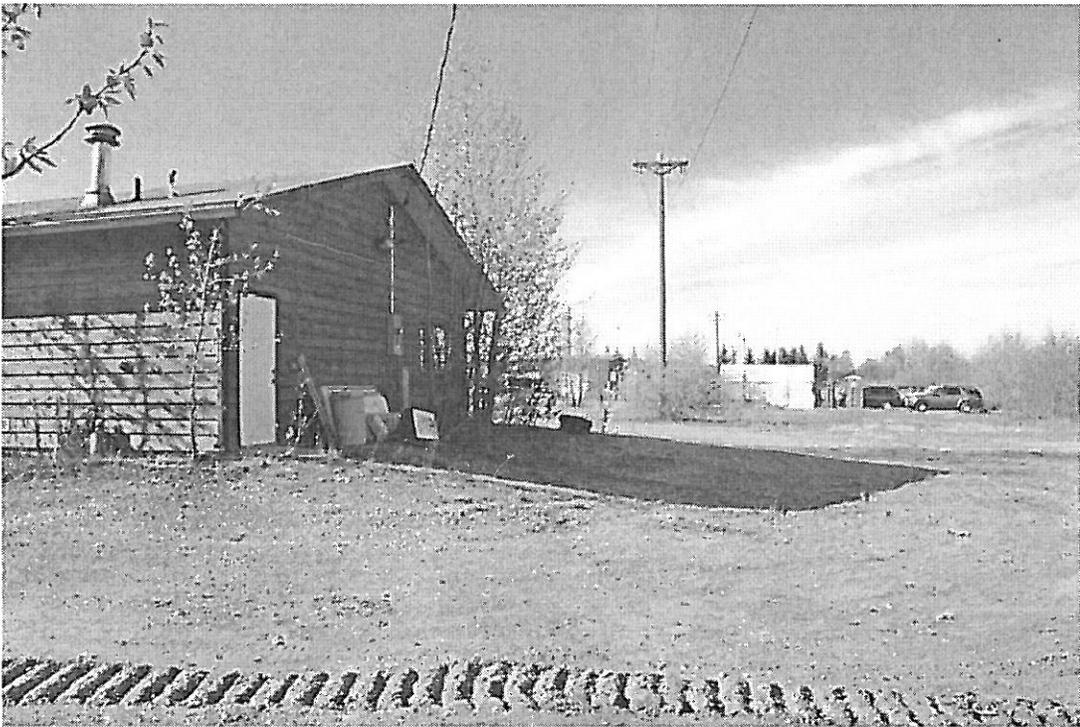


Easterly along Old Airport Way; subject lot on left

**Lots 14 & 16, Block 3 – Fairbanks International Airport**  
By Alan G. Olson – May 18, 2009



Northwesterly of Lot 14, from Old Airport Way



Southwesterly along the rear of Lot 14 (foreground) and Lot 16

### **LOTS 14 & 16, BLOCK 3**

**Shape, Size, and Area** – Rectangle shape; dimensions are 205 feet along the easterly line and 120 feet along the northerly line; containing 24,600 sq. ft. or 0.56 acre (refer to the Property Plat for details)

**Accessibility and Road Frontage** – Unrestricted access for 205 feet along the westerly side of Old Airport Way, (asphalt paving in fair condition), fourth property north of Wien Lake Road; no access to the airport runway

**Topography, Soils Conditions, and Drainage** – Level, at street grade; base soils are classified as Salchaket very fine sandy loam, a well-drained soil that is underlain by thick deposits of coarse sand and gravel; mostly improved with gravel fill slightly below road grade

**Utilities** – Water, sewer, electricity and telephone services are available to the property; natural gas is located on the north side of Airport Way, not generally available to the subject property

**Easements** – None known

**Present Use** – Lot 14 is improved with a garage/storage building (1,800 sq. ft.) that is owned by the tenant; Lot 16 is improved with gravel fill that can be used for vehicle parking and storage.

**Zoning** – The Light Industrial District permits industrial uses that are not categorized as heavy industrial, also uses that are permitted in the commercial districts; precluding residential development and school buildings.

**Auxiliary Use** – The subject tract is designated by the State of Alaska as “Auxiliary Use”, which relates primarily to development that is oriented to properties that do not have direct access to the airport runway. Specific uses for the subject lots are listed in the AK DOT&PF Memorandum in the Addenda.

**Environmental Issues** – No significant evidence of hazardous materials or soils contamination was observed during the onsite inspection.

**Flood and Earthquake Concerns** – The subject property is located in Flood Zone X (500-year event); not generally susceptible to periodic flooding. Fairbanks is located in an area of Alaska that is not known to be seismically active.

**Real Property Improvements** – Garage, owned by tenant

**Specialty Items/Fixtures** – None

**Assessed Value** – The current fee land value estimated by the borough assessor is \$30,750; or \$1.25 per sq. ft. (Borough PAN 136875).

**Highest and Best Use** – Some type of commercial and/or light industrial use that takes advantage of its location on Fairbanks International Airport property; not limited to aviation use only

**Current Lease Terms** – Month-to-month tenancy of a 25-year lease (ADA-05328) that began February 25, 1984; current rent, based on a rate of \$0.12 per sq. ft. per year, is \$2,952 per year

## Comparables Analyses

### COMPARABLES ADJUSTMENT GRID – LOTS 14 & 16, BLOCK 3

<b><i>Comparable No.</i></b>	<b><i>11</i></b>	<b><i>12</i></b>	<b><i>13</i></b>	<b><i>14</i></b>	<b><i>15</i></b>
Sale Date	8/08	1/08	10/06	10/07	1/08
Size (Sq. Ft.) <sup>(1)</sup>	31,200	40,000	43,600	33,280	30,000
Price/SF	\$1.92	\$2.50	\$2.80	\$2.85	\$3.33
Property Rights	-0-	-0-	-0-	-0-	-0-
Financing Terms	-0-	-0-	-0-	-0-	-0-
Conditions of Sale	-0-	-0-	-0-	-0-	-0-
Market Conditions	+0.06	+0.20	+0.50	+0.29	+0.27
<b><i>Adjusted Price/SF</i></b>	<b><i>\$1.98</i></b>	<b><i>\$2.70</i></b>	<b><i>\$3.30</i></b>	<b><i>\$3.14</i></b>	<b><i>\$3.60</i></b>
Location	-0-	-0-	-0-	-0-	-0-
Access	-0-	-0-	(-)	(-)	-0-
Size	-0-	-0-	-0-	-0-	-0-
Utilities	(+)	(-)	(-)	(-)	(-)
Physical Characteristics	(+)	(+)	(+)	(+)	-0-
<b><i>Value Indicated to Subject Property/SF</i></b>	<b><i>&gt;\$1.98</i></b>	<b><i>±\$2.70</i></b>	<b><i>&lt;\$3.30</i></b>	<b><i>&lt;\$3.14</i></b>	<b><i>&lt;\$3.60</i></b>

<sup>(1)</sup> Subject Property (platted area) – 24,600 Sq. Ft. (0.56 acre)

Comparable 11, located in the south Fairbanks industrial area at the southwest corner of Cartwright Road (Van Horn Road, west of Peger Road) and Worrell Avenue, contains 31,200 sq. ft. and sold in August 2008 for a price of \$1.92 per sq. ft. The site is undeveloped; not served by water and sewer utilities. Several feet of gravel fill would be necessary for use similar to the subject property. Compared to Lots 14 and 16, Block 3, Comparable 11 is adjusted slightly for market conditions, superior for availability of natural gas, inferior for availability of water and sewer, inferior for physical characteristics (site preparation), and indicates a value that is higher than \$1.98 per sq. ft.

Comparable 12, located on the east side of North Van Horn Road midway between 30<sup>th</sup> Avenue and Standard Avenue, contains 40,000 sq. ft. and sold in January 2008 for a price of \$2.50 per sq. ft. The buyer owns the adjacent property to the north, on which a commercial building, with offices in front and living quarters over the office space, was built in 2006-07. Other than lakeside residential development to the west across North Van Horn Road, surrounding development is a mix of industrial and commercial uses. North Van Horn Road is paved; all utilities are available. The lot has a medium dense tree cover of spruce and birch. Compared to Lots 14 and 16, Block 3, Comparable 12 is adjusted for market conditions, superior for availability of natural gas, inferior for physical characteristics, and indicates a value that is close to \$2.70 per sq. ft.

Comparable 13, located at the northwest corner of Standard Avenue and Shell Street, contains 43,600 sq. ft. and sold in October 2006 for a price of \$2.80 per sq. ft. The site was cleared and partially filled at some time in the past, but has light re-growth of small trees and woody brush. Standard Avenue and Shell Street are both paved; the site is close to two arterials – Peger Road to the west and Van Horn to the south. All utilities are available. Compared to Lots 14 and 16, Block 3, Comparable 13 is adjusted for market conditions, superior for corner access and proximity to a major intersection, superior for availability of natural gas, inferior for physical characteristics, and indicates a value that is less than \$3.30 per sq. ft.

Comparable 14, located at the southwest corner of Van Horn Road and Schacht Street close to the east of the intersection of Van Horn Road and Peger Road, contains 33,280 sq. ft. and sold in October 2007 for a price of \$2.85 per sq. ft. Van Horn Road is paved and Schacht Street is gravel surfaced; all utilities are available. The property has been partially improved with gravel fill; additional fill will be necessary for a building pad. Compared to Lots 14 and 16, Block 3, Comparable 14 is adjusted for market conditions, somewhat inferior for physical characteristics, superior for corner access on an arterial road and availability of natural gas, and indicates a value that is less than \$3.14 per sq. ft.

Comparable 15, located on the south side of Hughes Avenue west of South Cushman Street just to the northeast of North Star Industrial Park off Van Horn Road, contains 30,000 sq. ft. and sold in January 2008 for a price of \$3.33 per sq. ft. This site is improved with gravel fill, has all utilities available, and is surrounded by chain link fencing; suitable for development with a minimum of site preparation. Compared to Lots 14 and 16, Block 3, Comparable 15 is adjusted for market conditions, superior for availability of natural gas, and indicates a value that is less than \$3.60 per sq. ft.

### RECONCILIATION AND CONCLUSION OF MARKET VALUE

The comparables, when compared to the subject property in the foregoing analyses and with adjustments applied for various differences, both qualitative and quantitative, indicate the following values:

<u>Comparable</u>	<u>Value Per Sq. Ft. Indicated to Lots 14 &amp; 16, Block 3</u>
11	Higher than \$1.98
12	Close to \$2.70
13	Less than \$3.30
14	Less than \$3.14
15	Less than \$3.60

The five comparables indicate values to the subject property ranging between an amount that is higher than \$1.98 per sq. ft. and an amount that is less than \$3.60 per sq. ft.; a wide range. All of the comparables are larger than the subject tract; thus a value near the upper end of the range of values indicated by the comparables would be appropriate to recognize that smaller tracts typically have higher unit values than larger tracts, other attributes being generally similar. Comparable 12 is most similar to the subject tract for its location on a side street that is close to an arterial road. Comparables 11, 13 and 15 are also similar for side street access relative to nearby arterial roads, but are superior for proximity to major intersections. If the various (+) and (-) adjustments are assigned an arbitrary 10% factor in order to quantify the adjusted indicated values, Comparables 11-15 would indicate a range of values between \$2.40 per sq. ft. and \$3.24 per sq. ft.; with a mean indicated value of \$2.83 per sq. ft. and median value of \$2.83 per sq. ft., also. With most emphasis on Comparable 12 and adequate support by the other four comparables, the current market value of Lots 14 and 16, Block 3 is estimated to be \$2.75 per sq. ft.. Based on a market rental rate of 8%, **market rental value** is calculated to be **\$0.22 per sq. ft. per year**.

**MARKET RENTAL VALUE OF PROPERTY**

Market rental value of Lots 14 and 16, Block 3 is calculated as follows:

Land Value: 24,600 Sq. Ft. @\$2.75 Per Sq. Ft.	\$67,650
Site Improvements: None	<u>-0-</u>
Market Value of Property, As Vacant & Unimproved	\$67,650
Market Rental Rate (8%)	<u>x 0.08</u>
<b>Current Market Rental Value of Property</b>	<b>\$ 5,412</b>