



Denali Appraisal Company
Commercial Real Estate Appraiser and Consultants

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Anchorage, Alaska 99507
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APPRAISAL REPORT

Anchor 907 – Work Force Housing Complex

42706 Old Sterling Highway
Homer, Alaska 99603



Effective Date - April 15, 2025

Prepared for:

Northrim Bank (Client)
3111 C Street, Suite 400
Anchorage, AK 99524



Date of Report: April 28, 2025

Deatrice Swazer
Northrim Bank
3111 C Street, Suite 400
Anchorage, AK 99524

RE: Appraisal of: Anchor 907 – Work Force Housing Complex
42706 Old Sterling Highway
Homer, Alaska 99603
Job reference No. 245-0012

Dear Ms. Swazer:

At your request and authorization, Denali Appraisal Company has prepared an appraisal of the market value of the referenced property. The scope of work is sufficient to develop a credible value estimate and it includes the Cost and Income Capitalization Approaches. Note, the 2024 Uniform Standards of Professional Appraisal Practice (USPAP) no longer uses self-contained term for the classification of an appraisal report. However, the scope of this report falls into what would be considered a self-contained report under the previous USPAP standards. The purpose of the appraisal is to estimate market value “as is,” “at completion,” and “at stabilized occupancy” of the fee simple interest in the above-referenced real estate. Definitions of the terms “market value,” “as is,” “at completion,” “at stabilized occupancy,” and “fee simple” are contained within the appraisal report.

The appraisal complies with Northrim Bank’s appraisal instructions, and our engagement letter is in the Addenda. The appraisal also adheres to the 2024 USPAP as promulgated 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 subject of this appraisal is the proposed Anchor 907 – Work Force Housing Complex located at 42706 Old Sterling Highway in Anchor Point. The site is located on the northwest corner of Old Sterling Highway and Sterling Highway, 7 miles northwest of Homer. The site is comprised of an irregular shaped parcel. The parcel has a total site area of 9.09 acres or 395,960 SF. The utilized site area is estimated at 205,296 SF, or 4.69 acres. The remaining 191,664 SF, or 4.40 acres is considered excess land. The lot has 1,526.56’ of frontage along the Sterling Highway and 1,002.85’ of frontage along the Old Sterling Highway. The property is level and at-grade with surrounding streets. The area fronting the Sterling Highway has a steep berm that is slightly above grade. Public utilities include electricity and telephone with natural gas. The site has a well and septic system. The subject lot sold between Taylor Raymond (seller) and Anchor Bridge, LLC (buyer) on September 15, 2022, for \$238,000. The lot had been listed for sale for 1,047 days. The sale was a market transaction.

The employee housing complex consists of nine, modular prefabricated military-style dormitory buildings that are being purchased and moved from Fort Richardson to the subject site for use as an employee housing complex. The complex will be used to house summer and year-round employees. The improvements will consist of six Barrack style sleeping buildings and three Administration office dormitory buildings. The Barrack style dwellings will consist of 6 rooms with capacity of 6 beds with 4 shared restrooms. The buildings measure (5) 76’ x 27.4’ or 2,082 SF with (1) 64’ x 27.4’, or 1,754 SF. Three buildings will have additional laundry space. Buildings with laundry will measure 96’ x 27.4’ or 2,555 SF. Barrack style buildings will have a combined gross building area (GBA) of 13,810 SF. The three Administration buildings will each have 8 rooms with total capacity for 16 beds with shared rooms, common area/living space, kitchens and restrooms. The Administration dormitory buildings will measure 64’ x 47.3’ or 3,027 SF. Total GBA of the Administration buildings will be 9,082 SF. The combined GBA of the complex will be 22,891 SF. The complex will have a total of 60 rooms with 84 beds available year round. The buildings were built in 2007 and had been used for

10 years. Quality and condition are reported to be average but structurally in good condition. The buildings will have an effective age of 0 years after interior/exterior renovations are completed.

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622. *It is an assumption of this report, that at minimum \$2,967,622 will be spent on real property construction as part of the "at completion/at stabilization" value.* Quality overall "at completion" will be rated as good. The developer reported that costs to complete will be \$1,200,000. The "at completion/at stabilization" value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026.

The conclusions of this appraisal represent the value of the going concern, as is typical for lodge analyses. Thus, USPAP mandates that we include an allocation between real estate, personal property (FF&E) and business value. The subject has no business value. It should be noted that the FF&E value (\$210,000) reflects the property's value-in-use, as opposed to the market value or liquidation value. FF&E includes furnishings, appliances, equipment and miscellaneous items, some items will be new such as mattresses and sheets, etc. and some will be bought slightly used from the government at highly discounted rates including desk, lamps, tables, etc. The discounted items are in good condition. In theory, some degree of business value is included within the allocated value of the FF&E.

It should be noted that the project appears to be financially feasible from a real estate only perspective as market value does justify the total costs of the project along with a small developer's margin.

Based on our research and analysis, it is the opinion of the appraiser that the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION		
Property Rights	Fee Simple	Fee Simple
Appraisal Premise	"As Is"	"At Completion" / "Stabilization"
Effective Date of Report	4/15/2025	6/1/2026
Value Conclusion	\$2,520,000	\$3,720,000
Real Property	\$2,330,000	\$3,510,000
FF&E	\$190,000	\$210,000
Business	\$0	\$0

The market value conclusions are based on an exposure period of up to twelve months, assuming diligent efforts. The report should not be relied upon by anyone other than the intended user(s) for the use specifically identified in the report. Your attention is directed to the Certification and Assumptions & Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,

Denali Appraisal Company



Scott Montalbo (Owner)

Phone: (907) 242-3491

Email: scott@denaliappraisalcompany.com

State Certified General Real Estate Appraiser AK #774

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) I made a personal inspection of the property that is the subject of this report.
- 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, Scott Montalbo has completed the continuing education requirements that meet the State of Alaska licensing requirements.
- 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.



Scott Montalbo
AK Certified General – #774



ASSUMPTIONS & LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

- 1) 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.
- 2) No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, or other encumbrances unless otherwise stated.
- 3) Information furnished by others, upon which all or portions of this appraisal are based, is believed to be reliable but has not been verified in all cases. No warranty is given as to the accuracy of such information.
- 4) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization has been or can readily be obtained or renewed for any use on which the value estimate contained in this report is based.
- 5) Full compliance with all applicable federal, state, and local zoning, use, occupancy, environmental, and similar laws, and regulations is assumed unless otherwise stated.
- 6) No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the date hereof.
- 7) The opinion of value is predicated on the financial structure prevailing as of the date of this appraisal.
- 8) Responsible ownership and competent property management are assumed.
- 9) Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property, and no responsibility is assumed for their accuracy. No independent surveys were conducted.
- 10) It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them.
- 11) No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
- 12) Neither Denali Appraisal Company nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony, or appear in court or at other legal proceedings unless specified arrangements therefore have been made.
- 13) This report has been written only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value or the identity of Denali Appraisal Company or any individual signing or associated with this report or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of Denali Appraisal Company.
- 14) The date of value to which the opinion expressed in this report applies is set forth in the letter of transmittal at the beginning of this report. Our value opinion is based on the purchasing power of the U.S. dollar as of that date.
- 15) Unless otherwise stated in this report, no hazardous material, which may or may not be present on or near the property, was observed. We have no knowledge of the existence of such materials on or in the property; however, we are not qualified to detect such substances. The presence of potentially hazardous substances, such as asbestos, urea-formaldehyde foam insulation, or industrial wastes, may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on, in, or near the



property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.

- 16) The allocation in this report of the total valuation among components of the property applies only to the program of utilization stated in this report. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
- 17) This appraisal report may not be included or referred to in any Securities and Exchange Commission filing or other public document.



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SUMMARY OF FACTS AND CONCLUSIONS

Project Name:	Anchor 907 – Work Force Housing Complex
Purpose of Appraisal:	Estimate the market value of the property “as is” and “at completion/stabilization.”
Property Rights Appraised:	Fee simple interest
Location:	42706 Old Sterling Highway, Anchor Point, Alaska
Legal Description:	Tract C, Hughes Tool Co Deed of Record Boundary Survey
Tax ID No:	1751-070-31
Ostensible Owner:	Anchor Bridge, LLC
Latitude/Longitude:	Latitude = 59.70597,° Longitude = -151.69957
Sale History:	The subject lot sold between Taylor Raymond (seller) and Anchor Bridge, LLC (buyer) on September 15, 2022, for \$238,000. The lot had been listed for sale for 1,047 days. The sale was a market transaction.
Site:	The subject of this appraisal is the proposed Anchor 907 – Work Force Housing Complex located at 42706 Old Sterling Highway in Anchor Point. The site is located on the northwest corner of Old Sterling Highway and Sterling Highway, 7 miles northwest of Homer. The site is comprised of an irregular shaped parcel. The parcel has a total site area of 9.09 acres or 395,960 SF. The utilized site area is estimated at 205,296 SF, or 4.69 acres. The remaining 191,664 SF, or 4.40 acres is considered excess land. The lot has 1,526.56’ of frontage along the Sterling Highway and 1,002.85’ of frontage along the Old Sterling Highway. The property is level and at-grade with surrounding streets. The area fronting the Sterling Highway has a steep berm that is slightly above grade. Public utilities include electricity and telephone with natural gas. The site has a well and septic system.
Improvements:	The employee housing complex consists of nine, modular prefabricated military-style dormitory buildings that are being purchased and moved from Fort Richardson to the subject site for use as an employee housing complex. The complex will be used to house summer and year-round employees. The improvements will consist of six Barrack style sleeping buildings and three Administration office dormitory buildings. The Barrack style dwellings will consist of 6 rooms with capacity of 6 beds with 4 shared restrooms. The buildings measure (5) 76’ x 27.4’ or 2,082 SF with (1) 64’ x 27.4’, or 1,754 SF. Three buildings will have additional laundry space. Buildings with laundry will measure 96’ x 27.4’ or 2,555 SF. Barrack style buildings will have a combined gross building area (GBA) of 13,810 SF. The three Administration buildings will each have 8 rooms with total capacity for 16 beds with shared rooms, common area/living space, kitchens and restrooms. The Administration dormitory buildings will measure 64’ x 47.3’ or 3,027 SF. Total GBA of the Administration buildings will be 9,082 SF. The combined GBA of the complex will be 22,891 SF. The complex will have a total of 60 rooms with 84 beds available year round. The buildings were built in 2007 and



had been used for 10 years. Quality and condition are reported to be average but structurally in good condition. The buildings will have an effective age of 0 years after interior/exterior renovations are completed.

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622. *It is an assumption of this report, that at minimum \$2,967,622 will be spent on real property construction as part of the "at completion/at stabilization" value.* Quality overall "at completion" will be rated as good. The developer reported that costs to complete will be \$1,200,000. The "at completion/at stabilization" value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026.

Flood Hazard Zone:	None
Remaining Economic Life:	At least 45 years overall after completion of interior/exterior renovations
Zoning:	None
Parking:	Adequate on-site upon completion
Tenancy:	We project market rent for the property based on monthly rates based on year round operations.
Highest and Best Use:	It should be noted that the project appears to be financially feasible from a real estate only perspective as market value does justify the total costs of the project along with a small developer's margin. The highest and best use "at completion" is to complete proposed employee housing facility.
Date of Report:	April 28, 2025
Effective Date of Appraisal:	April 15, 2025
As Is:	April 15, 2025
At Completion/Stabilization:	June 1, 2026

Value Summary:	"As Is"	"At Completion" / "Stabilization"
Land Valuation	\$310,000	\$310,000
Cost Approach	\$2,520,000	\$3,720,000
Sales Comparison Approach	Not Performed	Not Performed
Income Capitalization Approach	\$2,520,000	\$3,720,000
Final Value Conclusion:	\$2,520,000	\$3,720,000



DEFINITION OF APPRAISAL PROBLEM

IDENTIFICATION

The subject of this appraisal is the proposed Anchor 907 Employee Housing Complex located at 42706 Old Sterling Highway in Anchor Point. The site is located on the northwest corner of Old Sterling Highway and Sterling Highway, 7 miles northwest of Homer. The proposed improvements will consist of nine modular employee lodging buildings with a capacity of 60 beds with a combined GBA of 22,891 SF. The subject is located in Kenai Peninsula Borough and has a tax parcel number 171-070-31.

LEGAL DESCRIPTION

Tract C, Hughes Tool Co Deed of Record Boundary Survey, according to Plat No. 86-6BS, in the Homer Recording District, Third Judicial District, State of Alaska.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the fee simple interest in the existing improvements “as is” and “at completion.”

INTENDED USE OF THE APPRAISAL

This appraisal was prepared for Northrim Bank, the intended users. Other intended users of the appraisal include the appropriate banking regulatory agencies, other financial institutions and state agencies that may participate with Northrim Bank in funding a loan for which the subject will be security. The intended use is for collateral consideration in connection with real estate-related financing.

PROPERTY RIGHTS APPRAISED

The subject site and improvements are owned in fee. As such, this is an appraisal of the fee simple interest in the subject real estate.

APPRAISAL DATES

The subject was inspected on April 15, 2025, which is also the effective date of the “as is” value of this appraisal. The “at completion/at stabilization” value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026. The report was prepared on approximately April 28, 2025.

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 subject is not listed for sale. A reasonable exposure time for the subject would be up to 12 months, assuming diligent efforts.

Marketing Period

Most sales comparables 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. The scope of work developed in the report includes the following analyses:

- Cost Approach
- Income Capitalization Approach

The appraisal adheres to the 2024 USPAP as promulgated 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 Northrim Bank’s appraisal instructions.

- The property was most thoroughly inspected on April 15, 2025 and this is the effective date of the appraisal. Bill Hingle, developer, provided property information.
- City records were researched to determine the zoning status of the subject property and surrounding land uses.
- State of Alaska records were reviewed for an indication of past property ownership.
- Sales and rental 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 managers, brokers, buyers, and sellers involved with the selected comparable sales and rental properties.

SOURCES OF INFORMATION OVERVIEW

Item	Source
Tax Information	Kenai Peninsula Borough
Zoning Information	Kenai Peninsula Borough
Site Size Information	Kenai Peninsula Borough
Building Size Information	Kenai Peninsula Borough
Flood Map	FEMA
Legal Description	KPB/SOA Recorders Office
Income/Expenses	Developer Proforma
Inspection	Exterior and Land
Date	4/15/2025
Accompanied by	Solo Inspection

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 Anchor Bridge, LLC, 440 Collingwood Loop, Foley AL 36535.

The subject lot sold between Taylor Raymond (seller) and Anchor Bridge, LLC (buyer) on September 15, 2022, for \$239,500. The sale was a market transaction.

To the best of our knowledge, there have been no other sales, options, or contracts for the subject in the three years immediately prior to this appraisal.

COMPETENCY STATEMENT

The appraiser, Scott Montalbo, has completed appraisals of similar properties throughout Alaska. A summary of appraisal experience and professional qualifications are presented in the Addenda. The appraiser has the knowledge, education and experience

required by the competency rule of USPAP to complete this assignment.

DEFINITIONS

Market Value¹

The most probable price which a property should bring in a competitive and open market under all condition's 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.

Fee Simple Estate²

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police powers, and escheat.

"Prospective Value "At Completion"

The market value at the effective date construction is completed or the certificate of occupancy is issued. This

¹ 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

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

² The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, Chicago, IL, Page 113



estimate of value reflects the impact of absorption time and the cost necessary to achieve stabilized occupancy.

At Stabilized Occupancy" Value³

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 time at terms and conditions comparable to competing offerings.

Real Property⁴

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 assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions (USPAP 2024 update manual).

It is an extraordinary assumption of this appraisal that the subject soils were adequately prepared to support the improvements without penalty for corrective action.

It is an extraordinary assumption of this appraisal that the subject is not materially affected by environmental contamination.

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622. *It is an assumption of this report, that at minimum \$2,967,622 will be spent on real property construction as part of the "at completion/at stabilization" value.* Quality overall "at completion" will be rated as good. The developer reported that costs to complete will be \$1,200,000. The "at completion/at stabilization" value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026. 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 2024 update manual).

The appraisal is not predicated on any hypothetical conditions.

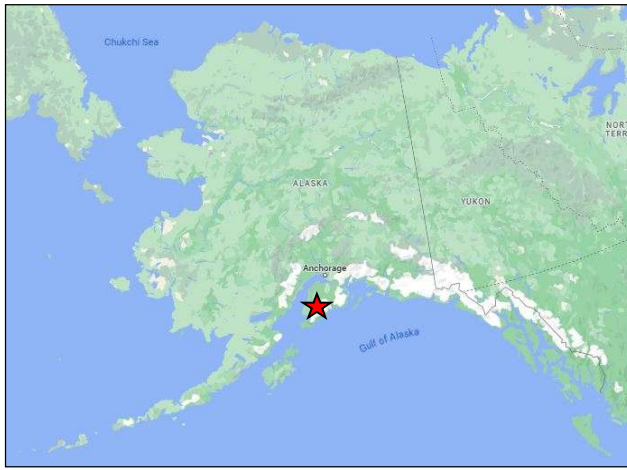
³ Appraisal Institute. *The Dictionary of Real Estate*. 4th Edition. Chicago, 2002. Page 274.

⁴ The appraisal of Real Estate, 15th Addition, Page 4



AREA ANALYSIS

The Kenai Peninsula is located approximately 70 miles southwest of Anchorage, Alaska's largest city. The subject is situated within the Kenai Peninsula Borough, which is considered part of Alaska's South-Central Region. A map of the State of Alaska is included below for reference. This section analyzes the forces of supply and demand that influence the value of real property in the Kenai Peninsula Borough area.



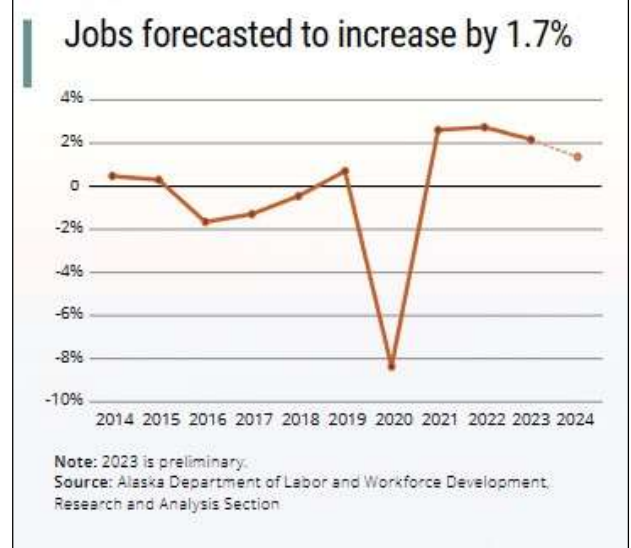
Both natural and man-made environmental forces influence real property values. Alaska has a total land area of 586,048 square miles, and is one-fifth the size of the entire continental United States. Alaska has six distinct regions, each with its own economic profile.

STATEWIDE FORECAST FOR 2024

The following excerpts were taken from the January 2024 Alaska Economic Trends Magazine: Karinne Wiebold

Alaska to add 5,400 jobs as all industries grow or stay flat

This year's forecasted growth of 1.7 percent, or 5,400 jobs, will be widespread as all industries either grow or hold steady, bringing Alaska's total job count and many industries above their pre-pandemic levels. Industries that remain significantly below their 2019 levels have either faced big changes in recent years or were already on long-term declines.



Most post-pandemic recovery is behind us. Unlike the last few years' growth, which came from parts of the economy normalizing after COVID disruptions, big projects will be this year's major catalyst. Federal infrastructure projects will start to materialize in 2024, and mining and oil and gas also have big investments on the horizon.

The outlook for statewide jobs, by industry

	Monthly avg. 2022 ¹	Monthly avg. 2023 ¹	Change 2022-23	Percent change	JOBS FORECAST		
					Monthly avg. 2024	Change 2023-24	Percent change
Total Nonfarm Employment ²	318,800	326,200	7,400	2.3%	331,600	5,400	1.7%
Total Private	241,600	247,800	6,200	2.6%	252,700	4,900	2.0%
Mining and Logging	10,900	11,500	600	5.5%	12,500	1,000	8.7%
Oil and Gas	7,000	7,400	400	5.7%	8,000	600	8.1%
Construction	16,100	16,700	600	3.7%	17,800	1,100	6.6%
Manufacturing	12,100	12,600	500	4.1%	12,600	0	0%
Trade, Transportation, and Utilities	63,800	65,200	1,400	2.2%	66,000	800	1.2%
Wholesale Trade	6,200	6,400	200	3.2%	6,500	100	1.6%
Retail Trade	35,000	35,300	300	0.9%	35,500	200	0.6%
Transportation, Warehousing, and Utilities	22,600	23,500	900	4.0%	24,000	500	2.1%
Information	4,700	4,600	-100	-2.1%	4,600	0	0%
Financial Activities	11,000	10,900	-100	-0.9%	10,900	0	0%
Professional and Business Services	27,300	28,100	800	2.9%	28,600	500	1.8%
Educational (private) and Health Services	50,100	51,300	1,200	2.4%	52,000	700	1.4%
Health Care	38,900	40,000	1,100	2.8%	40,600	600	1.5%
Leisure and Hospitality	34,300	35,600	1,300	3.8%	36,100	500	1.4%
Other Services	11,100	11,400	300	2.7%	11,600	200	1.8%
Total Government	77,200	78,400	1,200	1.6%	78,900	500	0.6%
Federal, except military	15,000	15,400	400	2.7%	15,400	0	0%
State, incl. University of Alaska	22,400	22,800	400	1.8%	23,100	300	1.3%
Local and tribal, incl. public schools	39,800	40,200	400	1.0%	40,400	200	0.5%

¹Preliminary and adjusted estimates. ²Excludes 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



Is it finally time to stop focusing on COVID job recovery?

Alaska has been adding back the jobs lost in 2020 for the last few years, but normalizing after COVID will no longer be the main story in 2024 as capital projects and federal investments take center stage.

We would be remiss not to address the recovery once more, however, as our total employment in 2023 still hadn't regained pre-pandemic levels, but probably for the last time.

COVID was the largest shock our economy has ever absorbed, with steeper losses in a shorter time frame than Alaska has weathered before. Alaska lost 27,600 jobs in 2020 as virus mitigation shuttered industries, governments, and schools across the world.

Since then, the state has recovered jobs each year at a fairly consistent rate. In 2021, the growth of 7,900 jobs came from a combination of reopening and huge infusions of federal money in the form of household stimulus checks, enhanced unemployment benefits, and direct support to businesses and state and local governments.

In 2022, Alaska added another 8,500 jobs through the return of cruise ships and the rise in travel, eating out, and recreation.

Recovery to pre-COVID job levels, by industry

	2019 jobs	2024 forecasted	Difference from 2019
Total Nonfarm Employment	330,000	331,600	0.5%
Total Private	250,200	252,700	1.0%
Mining and Logging	13,400	12,500	-6.7%
Oil and Gas	9,900	8,000	-19.2%
Construction	16,400	17,800	8.5%
Manufacturing	13,100	12,600	-3.8%
Transportation, Trade, and Utilities	64,600	66,000	2.2%
Wholesale Trade	6,600	6,500	-1.5%
Retail Trade	25,600	25,500	-0.3%
Transp. Warehousing, and Utilities	22,500	24,000	6.7%
Information	5,400	4,600	-14.8%
Financial Activities	11,600	10,900	-6.0%
Professional and Business Services	27,700	28,600	3.2%
Educational (private) and Health Svcs	50,800	52,000	2.4%
Health Care	38,700	40,500	4.7%
Leisure and Hospitality	36,200	36,100	-0.3%
Other Services	11,000	11,600	5.5%
Total Government	79,800	78,900	-1.3%
Federal, except military	14,900	15,400	3.4%
State, incl. University of Alaska	23,200	23,100	-0.4%
Local and tribal, incl. public schools	41,800	40,400	-3.3%

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

Recovery slowed in 2023 with the easiest gains behind us, although nearly every industry grew at least a little. Growth totaled 7,400 jobs, with general recovery bolstered by a record 1.6 million cruise ship visitors. Most industries remained underwater last year, though, with total employment still 3,800 jobs below 2019 levels, or -1.2 percent.

Positives for growth this year

The federal infrastructure bill and the Inflation Reduction Act will route billions of dollars to the state over the next decade. Funds for roads, bridges, ferries, water, and sewer facilities, broadband, and other longstanding priorities will make lasting and sometimes overdue improvements. Many of these projects are still in the planning phase, so we might not see significant job growth this year, but they have begun.

The projects will create jobs, at least in the short term, and the results will lay the foundation for further economic growth. For example, port upgrades in Anchorage and the development of a far north deep-water facility in Nome will raise the state's profile in the global shipping market.

Several large oil and gas projects are anticipated to move forward in 2024, although they won't start producing oil for several more years, even under the most favorable circumstances, and the potential for setbacks will continue until the oil starts to flow.

A new gold mine in the interior is set to begin production this year, spurring new jobs in mining and transportation.

Tourism is an important economic driver for Alaska, and early indicators point to a repeat of last year's record visitor season. Alaska's draw is strong, especially for domestic travelers, and trip demand remains high. Cruise visitor numbers are expected to meet or slightly exceed 2023's high water mark of 1.65 million.

The national economy remains strong, with job and wage growth outperforming predictions, although both

started to slow in late 2023. While fears of an imminent national recession are receding, some economists are still forecasting a downturn.

What will hold us back in 2024

With pandemic checks over and payment pauses exhausted, people have less income.

Households have less disposable income than they had over the last couple of years. Federal stimulus payments have largely been spent, and the Alaska Permanent Dividend was significantly smaller in 2023 than in 2022.

Inflation, which peaked in 2022 at 8.1 percent in Alaska, has slowed but prices remain high, eroding purchasing power. Interest rates shot up in 2022 as the Federal Reserve Board tried to put the brakes on the national economy to curb inflation. Federal student loan repayment, which was paused during the pandemic, resumed in late 2023.

Growth slows each year as Alaska approaches full job recovery



At the same time, wages increased, bolstering some households' ability to withstand higher prices, and resumed loan repayments.

Sluggish before COVID; budget woes ongoing

Another factor is hard to quantify, but how Alaska entered the pandemic will affect how we come out of it, to the degree that the underlying conditions remain the same. Alaska's job growth before COVID was the slowest in the country.

The state continues to struggle with how to pay for services, with the tension between paying out Permanent Fund Dividends and identifying new revenue sources continuing to play out politically and in public opinion. In addition to the state's longstanding budget and revenue problems, the coming years will bring additional pressure for the state to come up with the matching funds required with these recent large federal investments.

Worker shortage is especially acute here, compounded by migration losses, aging



The worker shortage will persist in 2024, particularly for Alaska, and constrain potential growth. We have high job openings and a short supply of workers to fill them; the Bureau of Labor Statistics estimates Alaska has two job openings for every unemployed person seeking work. This makes recruitment and retention a challenge for employers but also gives workers more opportunities than we have seen in decades.

The entire country is grappling with this worker shortage, but Alaska's deficit is stark. In a double blow to worker availability, our population is slightly smaller than it was 10 years ago and is getting older. More Alaskans are aging out of the workforce, and the number in their prime working years (ages 18 to 64) fell by 30,000 from 2013 to 2022.

Alaska has always imported labor, with about 20 percent of our jobs filled by nonresidents in a typical year. Some stay — about 10 percent — but most come to work in our highly seasonal or remote industries such as seafood processing, tourism, and extraction. With high job openings across the nation, Alaska has less draw for workers, temporary or permanent. Alaska's high wages have given us an edge in the past, but our wage advantage over the rest of the country has narrowed over the last few decades.

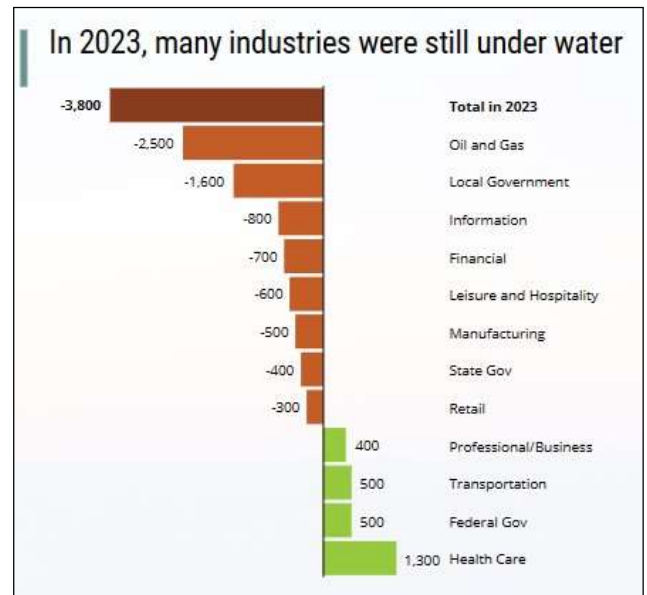
Similarly, while Alaska has always seen large numbers of people flowing in and out each year, fewer people have moved here each year over the last decade, and they are not staying as long as they used to. This net migration loss was big enough in several recent years to drive down the population overall.

Movers in both directions tend to be in their 20s and 30s: prime working-age people likely to bring children with them. Losing them and their families, along with the current population aging in place, has exacerbated our labor shortage.

All industries expected to grow or hold steady in 2024

Projects to boost multiple industries, especially oil, construction, linked services

The broader mining sector is forecasted to add 1,000 jobs in 2024, with 600 coming from the oil and gas industry. Hard rock mines tolerated the pandemic downturn well, and their growth this year will come from a new gold mine opening near Tok, about 200 miles southeast of Fairbanks, and small expansions in their workforces across the board.



Oil and gas, on the other hand, was hammered by the pandemic, losing 3,200 jobs in the first two years on top of its declines from the immediately preceding state recession when the industry shed 5,400 jobs.

After those two downturns, oil and gas employment in 2021 was less than half that of 2014. Jobs re-bounded somewhat over the last two years, with the industry adding 300 jobs in 2022 and 400 in 2023.

Preparation for the Pikka and Willow projects and more activity overall will boost oil and gas employment by about 600 this year, although some of the early-phase employment growth will show up in other industries such as construction, transportation, and professional and business services.

Federal infrastructure money will boost construction, although likely by small amounts in 2024 as individual projects take time to fund, bid out, and start. More oil field work, particularly in Willow and Pikka, will also buoy construction.

Construction lost just 600 jobs to COVID and has recovered and grown at an accelerating pace, adding 100 jobs in 2021, 200 in 2022, and 600 in 2023. We expect the industry to add 1,100 jobs in 2024, bringing total employment to 1,400 above 2019's annual average.

Similarly, the professional and business services that support oil and construction work will benefit this year, and we forecast an additional 600 jobs for this industry, pushing it above pre-pandemic levels.



The labor shortage is a big obstacle for the seafood processing industry

Manufacturing lost 1,300 jobs in 2020, mainly in seafood processing, and has added back 800 since. We don't anticipate job gains this year, and employment will probably remain below pre-pandemic levels.

In late 2023, Trident Seafoods, which has plants across Alaska, announced it plans to sell off several operations including those in Petersburg, Ketchikan, and Kodiak. When those sales take place and who buys will determine the impact in 2024, but this sale will disrupt the processing industry this year.

Finding workers will add an extra obstacle, as most come from outside Alaska, and as mentioned earlier, most of the country will see unusually plentiful job opportunities closer to home.

Manufacturing's job count has been declining over the last decade, although it can be volatile from year to year with wild swings in seafood harvesting around the state and between seasons. Recent years have brought both historically large catches and disaster-level absences. Harvest fluctuations make it hard for processors to anticipate peak labor needs, adding to the difficulty of securing an adequate workforce in remote locations of mainly nonresidents.

Manufacturing covers a variety of other goods, including makers of tents, cookies, boats, alcohol, and cannabis products. Breweries and distilleries have gained traction in recent years, as has the marijuana industry, although data suggest the niche market for cannabis products is approaching its ceiling.

Retail approaches full recovery

Retail lost 2,200 jobs in 2020 as the pandemic prompted closures, shifts in shopping behavior, and a death of out-of-state visitors. The industry has regained 1,900 jobs in the years since and we anticipate a small increase of 200 in 2024, bringing retail within 100 jobs of full recovery.

E-commerce continues to eat away at traditional stores' market share, although some of that decrease is simply where the jobs are counted. For example, Amazon is opening a distribution and sorting facility in Anchorage this year, jobs that will be categorized as warehousing rather than retail.

Transportation continues to flourish

Transportation lost 3,400 jobs in 2020 when travel nearly halted, then recovered in the three years that followed with more growth on the horizon in 2024.

According to Alaska Department of Transportation and Public Facilities statistics, international airport passenger numbers for Anchorage and Fairbanks in fiscal year 2023 remained below 2019 levels but cargo numbers soared. Juneau has the state's third-busiest airport, and by late 2023, Juneau's passenger numbers were just 1 percent below its pre-COVID levels.

On the air cargo side, Anchorage moved up a notch in its international ranking to become the third-busiest cargo airport in the world. The North-Link Aviation project at the Ted Stevens Anchorage International Airport, worth \$200 million, will increase the airport's traffic capacity with additional plane parking and a 90,000-square-foot warehouse. Construction began in 2023. The parking areas will be completed in late 2024 and the warehouse will be finished by late 2025.



Two industries continue long-term declines

Information is an example of an industry on a long-term decline, with jobs in newspapers, radio stations, and telecommunications peaking more than 20 years ago. In 2000, information had almost 7,500 jobs in Alaska, and by 2023, it was 4,600. We don't forecast any growth for 2024, although the federal infrastructure investments in broadband may stimulate some expansion in the next few years.

Long-term losses have mainly come through technological changes such as print publications and radio news and music moving online. Outsourcing call centers and other support functions has been another factor.

Financial services have faced similar declines, and for similar reasons, although the losses haven't been as dramatic. Online banking and insurance access and



working with out-of-state financial managers have lessened the need for local workers, also leading to a flat forecast this year.

Health care to keep growing after new high

Health care will add about 600 jobs in 2024, continuing the long-term trend spurred by the needs of an aging population. Health care has been a mixed bag over the last three years, with ups and downs in hospitals, outpatient services, and nursing homes. Reclassification of some of those jobs further muddled the numbers. Big picture, health care's trajectory has been up, even amid COVID disruptions, with the industry adding 1,300 jobs since 2019 and hitting a high in 2023.

Private social assistance, which includes childcare, suffered big losses during the pandemic and is forecasted to add 100 jobs this year, as it did last year.

Leisure and hospitality gets back to normal

Leisure and hospitality, which is strongly linked to tourism as well as local demand, lost over a quarter of its jobs in 2020 and recovered proportionally, with big gains in the three years that followed. We forecast moderate growth of 500 jobs in 2024, as most of the pandemic losses have already been regained, especially with last year's flood of visitors.

While cruise numbers in 2024 will resemble the previous year's record, no economic changes are on the horizon that would drive up the job count as we saw over the last few years, and a tight labor market will dampen job growth.

State and local governments still struggle to regain ground, meet service demand

About a quarter of Alaska's jobs are in government, with the largest share in local governments (including public schools and tribal governments). State government is second, including the University of Alaska system, and the federal piece, which has been fairly steady in recent years, is smallest.

State government employment has been falling for a decade, and even with the additional pandemic-related hires a few years ago in public health and unemployment services, state government had about 3,700 fewer jobs in 2023 than it had in 2014, right before the statewide recession.

UA sustained similar losses, with 2022 employment, the most recent available, about 2,100 jobs below 2014, a loss of more than a quarter of its jobs.

We forecast the State of Alaska will add 300 jobs in 2024. Some state agencies reported that staffing levels in 2023 left them unable to provide basic services, some of which are statutorily required. These included public defenders, court-appointed guardians, food stamp and Medicaid offices, ferry services, and even the state's own payroll and hiring functions, which have been hobbled by staffing shortages.

Local governments lost 2,800 jobs in 2020, mainly in schools, and gained 1,200 back over the last three years. However, local government still had about 1,600 fewer jobs in 2023 than before COVID.

We forecast 200 more jobs in 2024 as some school districts continue to normalize, but growth will be tempered by the significant budget deficits districts face across the state as well as falling enrollment.

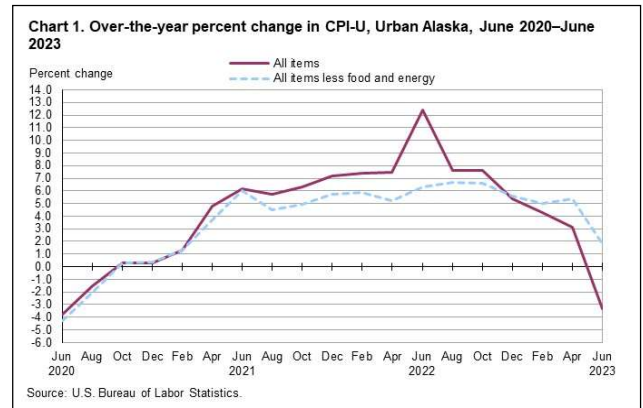
Consumer Price Index

The consumer price index (CPI-U) is a survey that 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 dozen years for both Anchorage and the U.S. City average. We have included the CPI for Urban Alaska formally referenced as Anchorage.



Percent Change in the Consumer Price Index		
Year	Urban	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	2.2%	2.1%
2013	2.7%	1.2%
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	1.4%	1.8%
2020	(1.1%)	1.2%
2021	4.9%	4.7%
2022	8.1%	8.0%
2023	1.5%	4.1%

As shown on the above table, the 2008 rate jumped to 4.6% on high oil price and then fell to only 1.2% in 2009 as oil prices fell. This trend continued in 2011 through 2013 as oil prices were high the corresponding CPI ranged from 2.7% to 3.2%. Oil prices dropped considerably in late 2014 and even further in 2015. The CPI in 2015 and in 2016 at 0.5% and 0.4% reflected low energy prices. In 2018 an annual increase of 3.0% for Urban Alaska and 2.4% for national was reported. The 2019 CPI index increased 1.4% in 2019 and the national average went up 1.8%. The 2020 CPI for Urban Alaska actually decreased 1.1% as a result of the economic impacts of Covid-19 while the national average increased 1.2%. Presently heading into 2024, we are coming down from the 8.0% increase for 2022 which is the most significant increase since 1990. 2023 dropped slightly to a 4.1% CPI increase from the prior year,



Prices in the Anchorage area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 0.4 percent for the two months ending in June 2023, the U.S. Bureau of Labor Statistics reported today. Regional Commissioner Chris Rosenlund noted that the June increase was influenced by higher prices for food. (Data in this report is not seasonally adjusted. Accordingly, bi-monthly changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U fell 3.3 percent. Food prices fell 18.9 percent. Energy prices decreased 16.0 percent, largely the result of a decrease in the price of gasoline. The index for all items less food and energy increased 1.8 percent over the year.

The following is a January 25, 2024, article from Alaska Beacon.

Anchorage economic forecast predicts strong growth tempered by continued loss of workers

Generally bright economic prospects for Alaska's biggest city in the coming year, according to a forecast released on Wednesday, are dimmed by one big cloud: the continuing loss of working-age residents.

The Anchorage Economic Development Corp.'s annual forecast for the city that is home to about four of every 10 Alaskans predicts robust growth, but with continued workforce challenges as residents become more elderly and as the number of people moving out of the city keeps outstripping the number of those moving in.

"2024 is going to be a great year for the Anchorage economy. We're seeing lower inflation, higher personal income and we're going to see job growth in most all sectors," AEDC President Jenna Wright said in her presentation of the forecast at a luncheon meeting in downtown Anchorage.

But the fact that there are two to three jobs for every person seeking work "is going to inhibit our ability to advance the economy," Wright said. "When it comes to our population demographics, this is the primary concern for Anchorage: Our population is aging and becoming more dependent on future workers."



Anchorage's demographic trends mirror those of the state as a whole, driving policymakers' concerns in the state capital.

Anchorage's total population is expected to dip slightly this year to 289,500, just 153 fewer than in 2023, according to the forecast, which was prepared by the McKinley Research Group. That slight decline is expected to continue through 2028, resulting in an Anchorage population of 288,700 then, according to the forecast.

More worrisome, Wright said, is the decline in the number of working-age adults, which the forecast predicts will fall to 188,000 this year from the 2023 total of 189,247 and will continue dwindling to 182,900 in 2028. The working-age population has declined steadily since 2013, when it numbered 207,611, the forecast said.

Various economic sectors in Anchorage are especially strong, according to the forecast.

One is transportation. The Ted Stevens Anchorage International Airport is expected to handle 3.3 million metric tons of cargo, slightly up from 2023 totals, though not quite as much in the pandemic-influenced record year of 2021, when 3.65 million metric tons of goods were handled. As of 2022, the Anchorage airport ranked third in the world for cargo volume. Port of Alaska volume this year is expected to match 2023's historically high levels of 5.3 million tons, driven in large part by shipments of construction materials needed for infrastructure projects around the state, the forecast said.

Job growth is also expected in the oil and gas sector, in tourism and in the construction sector, the forecast said. But Wright said that within the construction sector is a troubling sign: a steep drop in housing units built, from a recent high of 894 in 2014 to only 212 in 2023. The need to attract and retain workers is pervasive, she said, and "it's going to be very, very difficult to do that if we're not building up housing to meet demand."

As with loss of working-age residents, housing shortages affect the state as a whole, and for years, some of the most severe problems have plagued rural Alaska.

Anchorage has an opportunity to change its demographic trends through the billions of dollars of investment in public infrastructure projects and private industry developments like ConocoPhillips' Willow project on the North Slope, Wright said.

"These dollars could either serve as a quick flash in the pan that keeps us afloat, or they can be the foundation on which we launch ourselves and take on growth and prosperity through intentional retention and attraction efforts and investments in our city," she said.

STATE BUDGET FORECAST

The following is an excerpt from an Alaska Beacon article dated December 14, 2023, by Yereth Rosen.

Dunleavy proposes 'status quo' Alaska budget, nearly \$1 billion deficit to be filled by savings.

Declining oil production is denting income, leaving Alaska Permanent Fund earnings and the federal government as the state's biggest revenue generators.

With a deep reduction in oil revenues expected, Alaska is on track to have an approximately \$1 billion budget hole in the coming year that will have to be filled with money from savings accounts, according to a spending plan presented Thursday by Gov. Mike Dunleavy.

The governor described his budget for the year beginning next July 1 as "status quo" in most categories. The proposal totals \$13.9 billion, including funds from all federal and state sources.

"There's no cuts in this budget," he said during a news conference in Juneau. There are even a few targeted areas with increases, he said.

The anticipated \$987 million deficit would be filled with money from two savings accounts, the Constitutional Budget Reserve, and the Statutory Budget Reserve, according to Dunleavy's budget.

The governor's budget likely understates the looming deficit, said state Sen. Bert Stedman, R-Sitka, who co-chairs that body's Finance Committee.

There are items missing in the submitted budget, including some expected capital items, meaning the final hole to be filled is likely to be more in the range of \$1.3 billion to \$1.5 billion, Stedman said in an interview. Lawmakers will face the challenge of balancing needed state spending with the necessity of preserving the Constitutional Budget Reserve and other savings accounts, he said.

"We don't have a robust cash position in the CBR, by any means," he said. "It's unlikely that the Legislature will have a desire to A, overdraw the Permanent Fund, or B, empty the CBR."

As he has in past years, Dunleavy included in his new budget a large Alaska Permanent Fund dividend based on a payout formula that has not been used for several years.

Under that "statutory dividend," formula, the 2024 payout would likely be well above \$3,000, in contrast with the \$1,312 that was paid out this year. Such large formula-driven payouts have not been made since 2015. In the years since then, Permanent Fund investment earnings have supplanted oil money as the state's top revenue source, aside from federal contributions.

Stedman said there is virtually no chance that the Legislature will agree to the large payout that Dunleavy's budget proposes.

"On the statutory dividend, it still remains unaffordable. The math hasn't changed," Stedman said in an interview. But since the statute on the payout formula remains on the books, "I don't fault him a bit for putting it into the budget," he said.



The state's revenue picture is dimmed by a significant decline in oil revenues, according to the official semiannual forecast released by the state in conjunction with release of the governor's budget.

The state's total unrestricted oil revenues — money that is available for regular state appropriations — is expected to be \$2.4 billion for the 12 months ending next June 30, down from the total of \$3.1 billion for the 12 months prior to that, according to the Department of Revenue forecast. Total unrestricted oil revenues flowing into the state treasury in fiscal 2025, which comprises the period from July 1, 2024, to June 30, 2025, is expected to be even lower, at under \$2.1 billion, according to the forecast.

That decline in revenues is tied to production that is lower than earlier projected.

For the 12 months that ended last June 30, North Slope production averaged 479,400 barrels per day. Production is continuing to drop and is expected to average 470,300 barrels per day over the 12 months that will end next June 30. In fiscal 2025, which comprises the 12 months starting next July 1, is expected to be even lower, it is expected to average 463,800 barrels per day, according to the forecast.

North Slope production that peaked at over 2 million barrels per day in 1988 has declined as fields have aged; the last fiscal year in which it averaged over 500 million barrels a day was 2018, according to the state Department of Revenue.

Dunleavy acknowledged that the reduction in oil revenues puts the state in a difficult financial situation.

"If we were allowed to develop every play we have, every oil play we have, every gas play we have, every mining play we have, every timber play we have, our revenue would be double, triple what it is today," Dunleavy said at the news conference.

He blamed the state's inability to earn that money squarely on the administration of President Joe Biden and national environmental groups.

"In November 2024, if there's not a change of management in D.C. . . if that administration is still in play — you can see what's happening now — it's gonna shut the entire state down."

The federal government is on track to contribute over \$6.27 billion to the state in the coming fiscal year, making it the largest source of revenue in Dunleavy's budget.

While the governor bemoaned Alaska's loss of working-age adults as a sign that the state is "shrinking" and poised to continue to shrink in the long term, his budget included some targeted areas of increased spending for at least the short term.

One is public safety, where his budget is calling for money to hire more village public safety officers and buy a new airplane, along with a new patrol boat to be used in Southeast Alaska. The latter would have been helpful in the response to the deadly landslide that

struck the island of community of Wrangell last month, said James Cockerell, commissioner of the Department of Public Safety, "We could have housed, provided food and lodging and (brought) more first responders to the area," Cockerell said in the news conference.

Another area where Dunleavy's budget proposes some increased spending is transportation. A proposed expenditure of over \$168.5 million for the Alaska Marine Highway System will help match large federal funding to be used to replace an aged ship and restore operations to past levels, said Ryan Anderson, commissioner of the Department of Transportation and Public Facilities. Grants for the ferry system have been championed in particular by Sen. Lisa Murkowski, R-Alaska, and secured through the Infrastructure Investment and Jobs Act.

The budget also includes targeted funding for the Alaska Division of Public Assistance to cope with a severe backlog in the Supplemental Nutrition Benefits Program. Funding would allow for more staffers to be hired to process claims and would help improve services in other ways, Heidi Hedberg, commissioner of the Department of Health, said at the governor's news conference.

For education, a high-profile issue because school districts have struggled with rising costs, Dunleavy's budget proposes flat funding through the state's per-student formula, called the Base Student Allocation. That would result in an overall decline in funding for the Department of Education and Early Development because the number of students in Alaska's public schools has declined, said Lacey Sanders, director of the Office of Budget and Management.

"The decrease that's reflected on that piece of paper reflects the student count reduction that has occurred from the prior year, so it is not a cut in education," Sanders said. "It is fully funding the foundation formula and pupil transportation programs."

The bipartisan Senate majority and numerous members of the state House have been pushing for an increase in the Base Student Allocation. In a compromise last year, lawmakers approved a one-time \$175 million infusion to help school districts statewide cover rising costs. But Dunleavy vetoed half of that funding.

SOCIAL FORCES - POPULATION

Population

The social forces studied by appraisers primarily relate to population characteristics.⁵ Approximately 39.4% of Alaska's population reside in Anchorage. Expansion and contraction in the Anchorage area population has mirrored the major economic events in the city's history. The bedroom communities including Eagle River, Chugiak, Girdwood, and the Joint Elmendorf-Richardson military base fall within the Municipality of Anchorage and are important for retail businesses. During the economic boom of the early 1980's (1980 to

⁵ The Appraisal of Real Estate, Eleventh Edition, p. 48



1985), population increased by over 40%. Beginning in 1986, with the drop in oil prices, the population declined by over 12% over a three-year period. This is important as it demonstrates the importance of oil to the economy and the fact that the community is very transient.

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. The following table shows Anchorage and statewide populations from 1990 to 2023. Anchorage's total population fell by 157 in 2023 to 289,653. The city peaked at 301,134 people in 2013. The chart below shows the Alaska and Anchorage population over the past 22 years.

	Anchorage	% Δ	Alaska	% Δ
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	2.5%
2011	296,197	1.5%	722,190	1.7%
2012	298,842	0.9%	732,298	1.4%
2013	301,134	0.8%	736,399	0.6%
2014	300,549	(0.1%)	734,601	(0.1%)
2015	298,908	(0.6%)	737,625	0.4%
2016	299,037	0.4%	739,828	0.3%
2017	297,483	(0.5%)	737,080	(0.4%)
2018	294,488	(1.0%)	734,055	(0.4%)
2019	291,826	(0.9%)	731,007	(0.4%)
2020	291,247	(1.0%)	733,391	0.3%
2021	290,410	(0.1%)	736,105	0.1%
2022	289,810	(0.1%)	736,556	0.06%
2023	289,653	(0.1%)	736,812	0.01%

Sources: U.S. Census (1990, 2000, 2010 & 2020), Alaska Department of Labor (other)

Alaska's population increased for the fiscal year ending 2023, with net births outpacing out-migration, but only barely. The Alaska Department of Labor and

Workforce Development estimates an increase of 256 people, or 0.04 percent, from 2022 to 2023.

Eleven of Alaska's thirty boroughs and census areas lost population over the period of 2020 to 2023. Matanuska-Susitna Borough grew gaining 6,839 people. Kenai grew by 2,099 people along with Fairbanks grew slightly gaining 44 people. Anchorage lost the most, down by 1,594 during the three years.

Despite slight overall growth, net migration (in-migrants minus out-migrants) accounted for a gain of 3,421 people.

MILITARY POPULATION

Anchorage Military Population

In July 2010, the two Anchorage military bases: Elmendorf Air Force Base and Fort Richardson Army Post merged into a single base referred to as Joint Base Elmendorf-Richardson or (JBER). The analysis found that 10.1% of the Anchorage population lives in military households. Out of all midsize U.S. metros, Anchorage has the 3rd largest percentage of households with at least one household member currently serving in the military, Reserves, or National Guard. Here is a summary of the data for the Anchorage, AK metro area:

- Percentage of population in a military household: 10.1%
- Percentage of population who are active duty: 1.4%
- Percentage of population who are Veterans: 9.0%
- Percentage of population who are Reserve/National Guard: 1.7%

This is roughly 25% lower than the peak military population in the middle of the 1990's. Nevertheless, Anchorage has a strategic military location, and the joint base will likely remain off the Federal closure lists indefinitely. Military population is expected to remain stable over the foreseeable future.

Military branch with largest active presence: Army
For reference, here are the statistics for the entire United States:

- Percentage of population in a military household: 3.2%
- Percentage of population who are active duty: 0.4%
- Percentage of population who are Veterans: 5.3%



- Percentage of population who are Reserve/National Guard: 1.0%
- Military branch with largest active presence: Army

Fairbanks Military Population

In 2019, about 40 percent of Alaska's active-duty personnel were stationed in Fairbanks, and they and their families made up around 9 percent of the Fairbanks North Star Borough's population. Then in 2020, the military population jumped 6.7 percent, and it will increase again this year.

Air Force personnel connected to the F-35s began to arrive in April, and all 54 jets are scheduled to arrive by the end of 2021, bringing in 3,500 new airmen, contractors, and family members. Eielson's population grew 27 percent in the first half of 2020 as nearly 950 people moved in during the first quarter alone.

The jump in population will give the local economy a needed boost in 2021. Rising demand for homes will increase sales and prices, and an associated tightening of rental vacancies will likely raise rents. Demand for goods and services will grow, which will be good news for grocery stores, car dealerships, and restaurants. Construction and engineering will also continue to benefit. New homes were built or refurbished in anticipation of new residents, and the Air Force invested \$500 million in 41 construction projects around Eielson, at least 28 of which are complete. These projects include new hangars, a flight simulator, and a new school.

INFRASTRUCTURE BILL

A year after its passage, infrastructure bill sends over \$2.6 billion to Alaska

The following were taken from an ADN article written by Riley Rogerson (November 29, 2022)

WASHINGTON — A year after the \$1.2 trillion bipartisan infrastructure bill passed, Alaska has been allotted more than \$2.6 billion, making the state one of the top recipients per capita in the country.

The Infrastructure Investment and Jobs Act will ultimately provide \$550 billion for infrastructure improvements across the country, distributing funding over five years to improve roads, internet connectivity, and provide clean water, among other initiatives. Democrats and several Republicans supported the bill, including Alaska Republican Sens. Lisa Murkowski and Dan Sullivan and the late Rep. Don Young.

Murkowski was part of a group that led negotiations on the bill. She called the legislation "one of the most significant measures I've ever worked on," in a statement last week.

As the federal government continues to dole out infrastructure money over the next four years, Alaska is poised to receive the most funding per capita. A CNBC analysis estimated that \$6,700 per resident will come into the state. Already, the bill has allotted money for more than 300 projects in Alaska.

Some of the top-funded projects include:

- \$363 million to improve national highways in Alaska.
- \$250 million for the Army Corps of Engineers to operate and maintain the Port of Nome.
- \$209 million for ferry service for rural communities. The bill has allocated an additional \$35.6 million to the Alaska Marine Highway System for the construction of ferries and ferry terminal facilities.
- \$187 million has been designated to build a new border station between Alaska and Canada near Tok.

According to the White House, in Alaska, \$1.5 billion of infrastructure bill money has been approved to revamp Alaska bridges and roads, and so far Alaska has received about \$402 million for ports and waterways.

Internet access is another focus of the bill. Several tribal groups or Alaska Native corporations have applied to take home a piece of the \$65 billion the bill allocates for broadband improvements. Last month, the Tanana Chiefs Conference in Interior Alaska received \$30 million to develop high-speed internet. Also, according to the White House, more than 12,000 Alaska households have enrolled in the Affordable Connectivity Program, an infrastructure law initiative that provides discounts for internet bills.

The Biden administration touts the infrastructure bill as one of its top accomplishments. On a Nov. 14 call with reporters, White House infrastructure coordinator Mitch Landrieu poked fun at the Trump administration's infrastructure week — which was repeatedly derailed — calling the legislation the start of the "infrastructure decade."

However, some Republicans, including Sullivan and Murkowski's Republican Senate challenger Kelly Tshibaka, have been critical of the bill's rollout, saying that permitting reform is necessary to expedite the infrastructure projects. Murkowski said she is also supportive of permitting reform.

"The permitting piece of it is huge, because we can authorize funding for projects, but if they get mired in a permitting process, that just is interminable," Murkowski said in an interview last week. "How we can reform our permitting process has been something that has been a priority on both sides of the aisle."

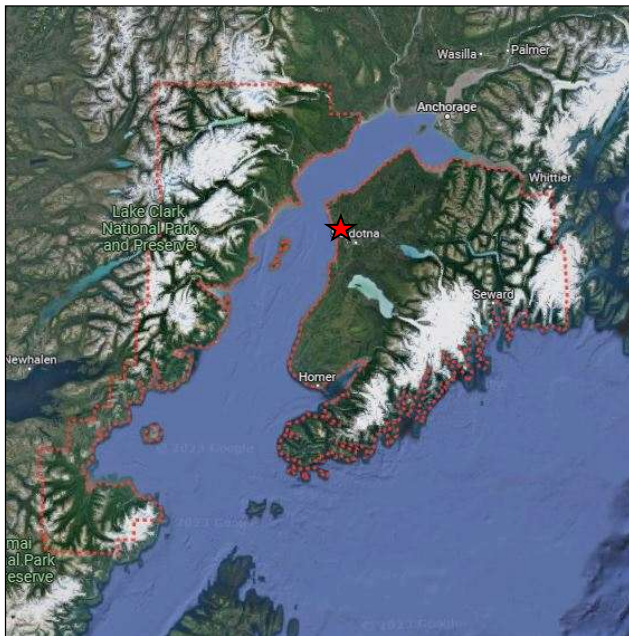
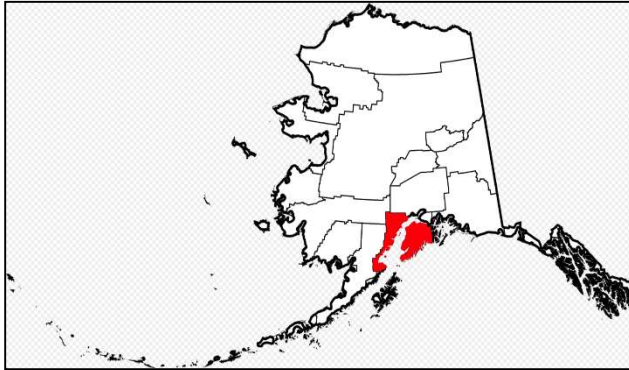


Murkowski has made implementing the bill one of her top priorities. She has hosted symposiums in Alaska to educate constituents about the grant opportunities that the legislation provides.

"Remember this was just year one of a five-year bill," Murkowski said. "And so, we've got to be working on that implementation all the time with folks back in the state."

KENAI PENINSULA BOROUGH

Borough Map



Kenai Peninsula Economy

The Kenai Peninsula is remarkable for the diversity of its economy – oil, fishing, seafood processing, timber, tourism, and the public sector. Further, the oil industry has its own diversity – liquefied natural gas, manufacturing, and hydrocarbons. Tourism is also much more diverse than in other parts of the state. Visitors elsewhere in Alaska come largely from outside the state, while the Peninsula draws heavily on visitors from Anchorage and other parts of Alaska as well.

The largest employment sectors in the region are manufacturing, government, and retail trade. One recently announced piece of good news is the Agrium fertilizer plant in Nikiski is considering being started up again, which could add upwards of 100 new jobs.

District Area

The twin cities of Kenai and Soldotna are the focal point of the central peninsula area. Oil and gas, commercial fishing, tourism, and government are the main divisions of employment. The number of jobs has grown steadily since a slump in the late 1980s, although average salaries have fallen somewhat. Wages in the low-paid service and retail sectors have generally grown faster than those in high-paid oil and manufacturing sector.

Oil industry jobs can pay nearly twice the average wage in the Kenai Borough, while manufacturing jobs can pay roughly 130% of the average wage. By contrast, retail and service jobs may pay half the average wage.

Oil and manufacturing jobs have declined in recent years with few new oil wells and little maintenance. Mr. Fried said that, up until 1997, it had been hard to imagine a bright economic future given declining oil. However, new optimism for Alaska's oil industry has spurred limited new development on the North Slope, and exploration has been gradually picking up in Cook Inlet as well. The high prices for natural gas have also fueled talk of a new pipeline for Alaska.

Population

The Kenai Peninsula Borough (KPB) population has steadily increased since 1990 to stand at approximately 60,898 for summer 2023. The principal population centers are Kenai/Soldotna (including Kalifornsky and Sterling), Homer and Seward, which together comprise about 60% of the borough's total. The table below provides a population breakdown for each incorporated city, as reported by the Suburban Statistics.

KPB Population

Total Borough	Kenai / Soldotna	Homer	Seward	Other Areas
60,898	12,188	5,669	2,582	40,459



Area Name	Census Total April 2020	Estimate Total July 2021	Estimate Total July 2022	Estimate Total July 2023
Fox River CDP	644	643	653	662
Fritz Creek CDP	2,248	2,288	2,417	2,458
Funny River CDP	1,103	1,112	1,166	1,199
Halibut Cove CDP	60	64	65	61
Happy Valley CDP	713	696	715	781
Homer city	5,522	5,509	5,516	5,669
Hope CDP	161	153	165	169
Kachemak city	576	622	656	669
Kalifornsky CDP	8,487	8,587	8,782	8,945
Kasilof CDP	525	520	525	529
Kenai city	7,424	7,400	7,510	7,614
Lowell Point CDP	79	90	93	79
Moose Pass CDP	228	232	232	228
Nanwalek CDP	247	245	241	239
Nikiski CDP	4,456	4,430	4,533	4,518
Nikolaevsk CDP	328	344	356	361
Ninilchik CDP	845	846	916	955
Point Possession CDP	9	10	6	13
Port Graham CDP	162	160	151	155
Primrose CDP	96	89	96	90
Ridgeway CDP	2,136	2,079	2,102	2,151
Salamatof CDP	1,078	1,062	1,097	1,041
Seldovia city	235	259	261	250
Seldovia Village CDP	199	201	204	194
Seward city	2,717	2,608	2,483	2,582
Soldotna city	4,342	4,461	4,520	4,574
Sterling CDP	5,918	6,014	6,101	6,225
Sunrise CDP	15	14	16	13
Tyonek CDP	152	151	153	143
Balance	355	380	414	410

Services

Public utilities available in the area include electricity, telephone, sewer, and water. Properties outside the cities proper generally have private well and septic systems. The Seward and Sterling Highways provide the only ground-based route to the area from Anchorage.

Taxes

Real estate taxes in the area are based on a combination of Borough and City taxes plus a special assessment for the Central Peninsula Emergency Service and General Hospital. During the last several years, however, the mill has remained steady.

In addition to real and personal property taxes, the Kenai Peninsula Borough charges a 3% sales tax. Both cities have tax caps of \$25.00. Also, Seward has a 3% sales tax.

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.

ALASKA LNG PROJECT

Political pressure builds as state-led Alaska LNG project goes another year without a deal: Author: AK Alaska Public Media January 24, 2024

Political pressure is building on Alaska Republican Gov. Mike Dunleavy's administration to show progress on its huge state-sponsored liquefied natural gas export project, as it asks the Legislature for another \$4.5 million to keep it alive.

Boosters say there's still substantial interest from potential investors and partners in the \$43 billion Alaska LNG project, amid turmoil in natural gas markets stemming from the wars in Ukraine and Israel. Officials from two separate companies, Virginia-based Venture Global LNG and South Korea-based Hanwha, held discussions with Alaska's state-owned gas agency and visited the state last year, and a labor-backed group is now pitching its own participation in the project.

But skeptics point to how, in spite of favorable industry trends, no major deals or investments were announced in 2023 by the Alaska Gasline Development Corp., or AGDC.

On Monday, three members of the Legislature's powerful Senate Finance Committee, when presented with the \$4.5 million budget request for the gas line corporation, aimed some sharp questions and comments at Dunleavy's budget director, Lacey Sanders.

"In my eight years of being a legislator, I don't think they've inked one investment. And so is this a good use of those funds?" asked Wasilla Republican Sen. David Wilson. "Or do we need a change in leadership over there?"

Elected leaders have for decades dreamed about building a pipeline from the North Slope oil fields, much like the existing trans-Alaska oil pipeline, that could generate thousands of construction jobs, export gas to markets outside of the state and provide cheaper heating fuel for Alaska residents.

But while the state has spent hundreds of millions of dollars in public money in pursuit of a project, it has not yet been able to assemble the necessary combination of customers, investors and oil companies willing to sell their gas at a competitive price.

The current version of the project, geared toward exports to Asian markets, came about under Republican former Gov. Sean Parnell more than a decade ago, and his successors, including Dunleavy, have continued to advocate for it.

In a prepared statement Tuesday, Dunleavy said he remains "optimistic AGDC will be able to secure the financing needed to bring this resource to market."

"We continue to meet with investors to inform them about the opportunity," Dunleavy said.

A spokesman for AGDC, Tim Fitzpatrick, wrote in an email that market interest in the project remains "healthy" and that the corporation continues to explore "solicited and unsolicited investment opportunities." He also said the project's value rises when geopolitical tensions rise.



“LNG traffic has been blocked in both the Panama and Suez Canals in the past 12 months and our allies are searching for secure new energy sources,” Fitzpatrick said. “Alaska LNG is the only U.S. LNG project with direct Pacific access, free of canals and other chokepoints, offering increased reliability, lower costs and fewer emissions.”

Two possible partners step back

Alaska’s statewide elected officials have intensified their efforts to advance the pipeline project since Russia invaded Ukraine two years ago, causing chaos in global energy markets and a spike in natural gas prices.

Republican U.S. Sen. Dan Sullivan has pushed Alaska LNG to potential investors and buyers in Asia, with help from Rahm Emanuel, President Joe Biden’s ambassador to Japan, and the project is eligible for tens of billions of dollars in federal loan guarantees.

Alaska LNG involves building a treatment plant on the North Slope, where gas would be pulled from the enormous Prudhoe Bay and Point Thomson oil fields owned by ExxonMobil, ConocoPhillips and Hilcorp. Then, a new 800-mile gas pipeline would run south to the Kenai Peninsula, where a liquefaction plant would ready the fuel for loading onto tankers bound for Asia.

Recent efforts have focused on finding investors or partners to pay the \$150 million that AGDC says it would cost to finish the engineering and design work required before a final investment decision can be made on the project. In exchange for paying those bills, the agency is offering ownership of more than half of Alaska LNG, whose construction cost would be funded largely by investors or gas buyers.

Critics say that the project’s enormous scale — its output would amount to roughly one-fourth of Japan’s yearly LNG imports — would worsen the climate crisis, and that its potential Asian customers have climate goals that could conflict with long-term purchasing deals. The Wall Street Journal in July reported that potential customers in Japan and South Korea were uninterested, citing more attractive, competing LNG projects elsewhere.

Nonetheless, multiple sources familiar with Alaska LNG said that two companies were both seriously examining the project last year.

Venture Global is a successful startup company that already has another operating LNG export plant in Louisiana — albeit one that’s embroiled in a feud with its oil company customers.

Shell and BP are among three companies seeking billions from Venture Global through arbitration, saying the firm is selling its LNG cargoes on the open market at high prices instead of fulfilling previously negotiated long-term contracts with BP, Shell

and Italy-based Edison. Venture Global says it’s not obligated to fulfill those contracts until its unfinished export plant is fully online.

Venture Global’s chief executive, Michael Sabel, and co-chairman, Robert Pender, had a dinner with Dunleavy in Anchorage in July, according to copies of the governor’s public calendar. Dunleavy also visited the company on a trip to the East Coast in October.

Hanwha, a South Korean company with wide-ranging, global operations, had a team visit Alaska that met with Dunleavy in July, according to the governor’s calendar.

Officials from Venture Global and Hanwha did not respond to requests for comment, and AGDC’s spokesman, Fitzpatrick, would not comment on the agency’s discussions with the two companies, citing “typical commercial confidentiality provisions.”

But a person who’s followed the state’s negotiations with potential partners said neither company decided to invest the \$150 million that AGDC is trying to raise.

The person, who requested anonymity because of the sensitivity of the negotiations, said that Venture Global paused their review to keep its focus on other projects in its portfolio. Hanwha chose not to invest based on the specific terms of the deal, which include the price at which Alaska’s petroleum companies would sell their gas, which is outside the state’s control, the person said.

Labor leader wants to “take control”

News of those developments has trickled out to policymakers, who are now trying to decide how to treat Dunleavy’s \$4.5 million request to keep AGDC operating in the fiscal year that starts July 1.

At this week’s committee hearing, Sitka Republican Sen. Bert Stedman said he shares his colleagues’ concern that “we have no investors at the table.”

“At some point, we need to have a conversation on mothballing it. It appears that that project is uneconomic because there’s nobody standing in line to build it,” Stedman said. “That’s a lot of money going out the door. And at some point, we’ve either got to get a gas line or stop the outflow.”

Two House members sounded similarly uneasy with continued spending on the gas line corporation. Fairbanks Republican Rep. Will Stapp said that while his constituents want to see the project built, which could reduce their heating costs, “people inherently don’t want to keep giving money to people who can’t produce any results.”



Wasilla Republican Rep. Jesse Sumner also said he would take a “real hard look” at AGDC’s budget request this year. In an interview, he said he’d made a “mistake” by signing a non-disclosure agreement with AGDC — one that gave him access to certain details about Alaska LNG’s progress but limited him from sharing them publicly.

“I do think the Legislature needs information, and I don’t regret trying to seek out information that I think we need,” Sumner said. “I think it’s a mistake to try to bind legislators and the sharing of that information.”

Fitzpatrick, in an email, said that AGDC officials provide “frequent public strategy and status updates” during board meetings, legislative presentations and stakeholder discussions, and he added that “an open and transparent development process is important for a project like Alaska LNG.”

“Because AGDC is empowered to negotiate commercial agreements with potential project partners, a small, limited amount of selective financial and partner information remains confidential during negotiations, as is typically the case in business transactions,” he said.

Eight lawmakers have signed confidentiality agreements with AGDC, Fitzpatrick said.

Meanwhile, a prominent Alaska labor union leader said he’s leading a new group that’s pitching AGDC on a potential investment in the project.

Joey Merrick, the leader of the influential Laborers’ Local 341 union, said he’s working with two separate firms: Alico Inc., a labor-aligned insurance and investment company, and Fengate, an asset management business.

Their newly formed company, chaired by Merrick, is called Alaska Gasline & LNG, and also includes Tom Barrett, the former head of the company that operates the trans-Alaska oil pipeline, as a board member, Merrick said. Bill Walker, the attorney, and former governor who’s long pushed for construction of a gas line, is listed as the company’s agent in state corporate records.

Merrick said his partners have access to the \$150 million needed to advance Alaska LNG to its next stage, and his group has sent a proposal to AGDC, which is being reviewed by the agency’s investment advisor, Goldman Sachs.

“We’re trying to, basically, take control of the project and work with AGDC and move it to the next step,” he said. “I’m very optimistic. I think this is exactly what the state needs — something to be able to give us some cheaper energy, and something to be able to get us a little income in a different way.”

Fitzpatrick, the agency spokesman, said that “AGDC evaluates every potential partnership offer to determine whether parties have the financial wherewithal for a project of Alaska LNG’s scale and complexity.”

Alaska Gasline Development Corporation: Description of three main components of Alaska LNG

Gas Pipeline

The backbone of the Alaska LNG Project is an 807-mile, 42-inch diameter mainline pipeline, including an offshore pipeline section crossing Cook Inlet. With a daily capacity of 3.3 billion cubic feet, multiple compressor stations along the pipeline will help carry natural gas from the North Slope to Southcentral Alaska. The pipeline would be a buried pipeline with the exception of two planned aerial water crossings, aboveground crossings of active faults, and the offshore pipeline. Multiple interconnection points along the pipeline will provide for in-state gas distribution to Alaskans.

Details include:

- 807-mile, 42-inch diameter natural gas pipeline
- Multiple interconnection points for in-state gas distribution
- Multiple compressor stations
- 2,075 psig (143 bar) operating pressure
- Average throughput of 3.1 billion cubic feet per day; maximum capacity of 3.3 billion cubic feet per day

Gas Treatment Plant

The gas treatment plant will be located in Prudhoe Bay near existing oil and gas infrastructure. The plant would be comprised of three process trains to remove impurities from the natural gas that could flow from the Point Thomson and Prudhoe Bay reservoirs. Carbon dioxide would be removed, captured, and compressed for reinjection into the Prudhoe Bay reservoirs. Highlights about the gas treatment plant include:

- An average daily capacity of 3.5 billion cubic feet; maximum capacity of 3.9 billion cubic feet per day.
- Located on 200+ acres near existing Prudhoe Bay production.
- Gas cleaned, dehydrated, and compressed.

Liquefaction Facility

The liquefaction facility, located in Nikiski, will process, store, and transport up to 20 million tons of LNG per year using the Propane Precooled Mixed Refrigerant (C3MR™) Process, an Air Products patented technology. The innovative and highly technical facility includes:

- Three LNG trains
- Two 240,000 cubic meter storage tanks
- Terminal facilities and marine services



- *Two loading berths to accommodate LNG carriers up to 217,000 cubic meters (Q-Flex)*

AREA ANALYSIS SUMMARY

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 2024/2025, the Alaska real estate market is best characterized as cautiously optimistic as long as businesses find a way to attract workers to the state for all the new projects expected from the infrastructure package and tourism related seasonal work. Other factors include whether oil prices remain stable or increase volatility.



MARKET ANALYSIS

The improvements of this appraisal is the Proposed employee housing complex located at 42706 Old Sterling Highway. The property is located southeast of Anchor Point and seven miles northwest of Homer. The gross building area (GBA) is 22,891 SF.

Tourism continues to be a bright spot among Alaska's basic industries and this sector in turn drives the hotel market. Unfortunately for existing hotel operators, Alaska's strong historic growth in tourism has spurred a boom in new hotel construction. Tourism remains a seasonal industry (summer) and during the winter months, there is an abundance of available rooms and a limited pool of potential patrons.

In this section, we first discuss visitor trends for Alaska market. We also present a housing market overview. This information is a key component of the Income Capitalization Approach.

ALASKA ECONOMIC TRENDS - TOURISM

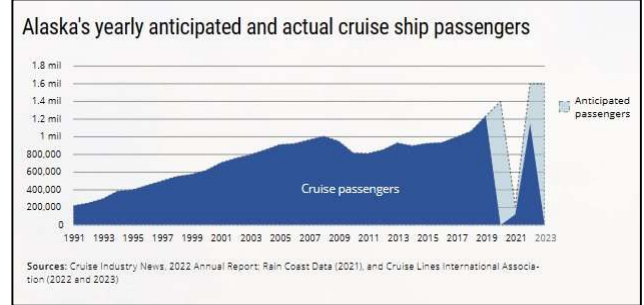
Has tourism fully bounced back? By Karinne Weibold, Alaska Economic Trends dated April 2023

Cruise ships and the rocky ride since COVID-19 began

Alaska has an additional 15 jobs in the summer for every 100 in the winter. Tourism, along with the seafood industry and construction, make our economy the most seasonal in the nation.

The visitor season is important to the statewide economy and for some communities, especially in Southeast, it's an economic pillar. Nearly 90 percent of those who visit Alaska at any point during the year arrive during the "summer season," which has gotten longer over the years. In 2023, cruise ships are scheduled to arrive from April 17 to October 27.

Fifty-three percent of annual visitors arrive by cruise ship and make their way around the state, while 43 percent fly in and a few come by highway and ferry. Air and highway traffic is harder to track, but information on cruise traffic is plentiful. Data availability and the large number of annual sailings and passengers make cruise ships a good proxy when looking at tourism in Alaska. (Tourism is a loose term, though, as there is no distinct tourist industry in the numbers.



The cruise industry is also ideal for gauging some of the most extreme effects of the pandemic on Alaska's economy. After the pandemic began in the spring of 2020, people could still fly to Alaska, albeit in much smaller numbers, but health and border restrictions shut cruises down, bringing the year's ridership to zero from the anticipated 1.4 million. Not only did early ship outbreaks elsewhere lead to a no-sail order, but Alaska-bound foreign-flagged ships must stop in Canada if they depart from a U.S. port, and Canada closed its borders through November 2021.

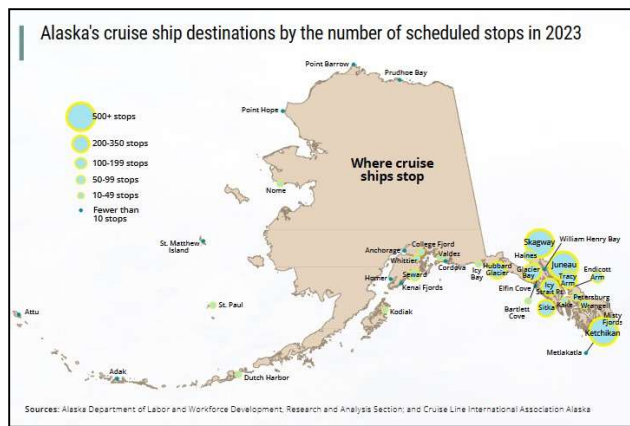
How the last few years unfolded: The freeze and the ships' return

In 2019, our last "normal" year, an estimated 2.5 million people visited Alaska, and 1.3 million came on cruise ships. Expectations were even higher for 2020, but COVID-19 hit just as the industry was entering the spring ramp-up, bringing the season to a halt.

While Alaska received no ships in 2020, a small number of independent travelers came, especially those who had made expensive advance plans. Remote locations with lodges or permit requirements fared best. For example, Glacier Bay and Denali received just 1 percent and 9 percent of their 2019 traffic, respectively, but remote Katmai's reached 61 percent.

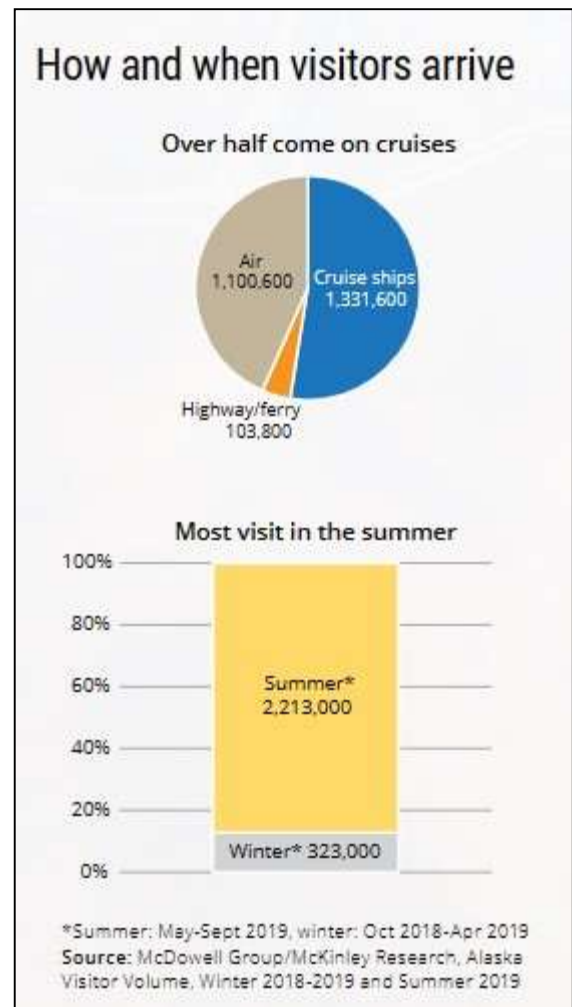
According to a McDowell Group/ McKinley Research report, in 2020, all types of visitor traffic from April through December fell 82 percent below the year before. With cruises canceled and ferry/highway access cut off, the few who did visit Alaska flew in, and visits by plane decreased by an estimated 58 percent from a little over a million during that period in 2019 to 420,000 in 2020.





At the beginning of 2021, the potential for a cruise season was uncertain. Vaccines had begun to roll out, but health concerns remained high and travel was still restricted. Not only did the cruise industry have to contend with U.S. COVID restrictions, but the Passenger Vessel Services Act requires foreign-flagged ships leaving from U.S. ports to stop in at least one international port before docking in Alaska. Canada remained closed, which meant that for Alaska, spring of 2022 appeared to be the earliest possible sailing.

Alaska's congressional delegation sponsored the Alaska Tourism Restoration Act, which both chambers passed unanimously. The act, signed into law on May 24, 2021, temporarily suspended the requirement to stop in Canada and some ships ultimately reached Alaska in 2021. Early on, they were small and U.S.-flagged — such as Uncruise Alaska and Alaska Dream Cruises — as the act passed too late for the major cruise lines to plan for a full season. The smaller ships also had fewer Centers for Disease Control restrictions because of their limited capacity.

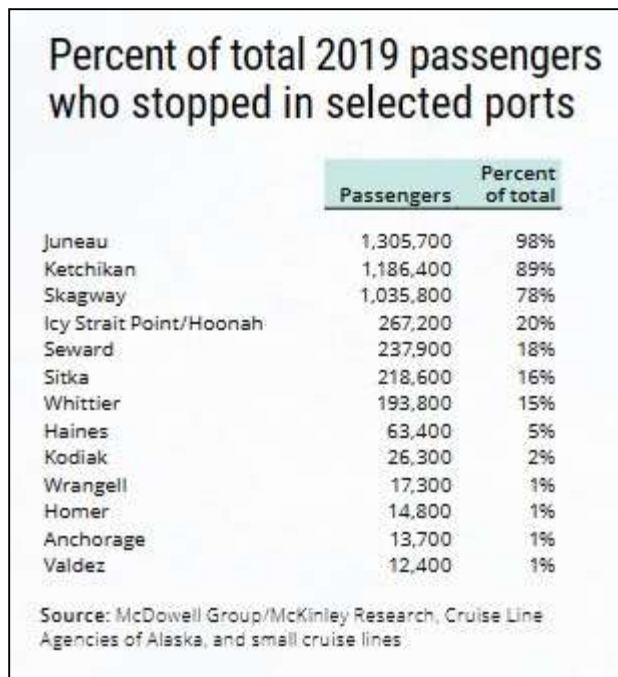


With the late start, a few large ships started to arrive in late July. The first, a Royal Caribbean ship, docked in Juneau on July 23 at about a quarter full. No cross-gulf ships — those that stop in Seward, Whittier, and Anchorage and feed the Interior made the trip in 2021.

The year's 125,000 cruise ship passengers amounted to less than a tenth of the usual tally, but that was an improvement from zero the year before. Independent travelers made an unexpectedly strong showing in 2021, too, and they tend to spend more money in hotels, bars, and restaurants than ship passengers. These visitors flew in, and most landed in Anchorage or Fairbanks.

Cruise ship restrictions were lifted in 2022 and a full slate returned to Alaska, but at partial capacity. Companies aim to sell out each sailing, but ships averaged about three-quarters full. Even so, at 1.15 million total passengers, it was one of Alaska's strongest cruise seasons. Many Southeast communities had gone a full two seasons without tourists, which put some companies out of business and put a major damper on local economies.





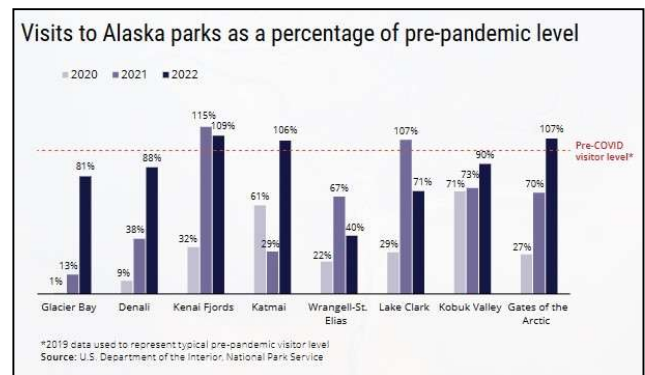
Some communities struggled to stay afloat without ships

While the state is dotted with notable visitor destinations, some communities depend on that traffic more than others, particularly those along the major cruise routes in Southeast or inland along the railbelt. Skagway's and Denali's economies are tourism-based — during the on-season, Skagway's employment more than triples, and Denali's increases nearly fivefold from the winter lull.

The state departments of Labor, Commerce, and Revenue released a report in 2021 estimating the direct economic blow to communities in 2020 from the loss of cruise ships at \$98.6 million in lost revenue. Including lost wages, state and local revenue, business revenue, and dock fees plus the cost of unemployment payments brought the year's loss to \$1.7 billion.

Federal pandemic relief funds buffered the blow to individuals, businesses, and local governments. Enhanced unemployment insurance coverage and direct stimulus payments to individuals and businesses infused cash directly into the economy as businesses shut down or dramatically shifted practices and all sectors lost jobs.

Cruise lines had a vested interest in keeping communities afloat during the pandemic. Lost visitor-generated revenue threatened to crumble tourism businesses that had built up over decades, also wounding local governments that rely on head taxes and port fees. Communities accustomed to welcoming thousands or hundreds of thousands of visitors were facing another ghost season in 2021.



In May 2021, Norwegian Cruise Lines announced it would give \$10 million to six port communities: Skagway, Hoonah, Seward, Sitka, Ketchikan, and Juneau. According to the company, “Alaska is one of our guests’ most popular cruise destinations and we are doing everything in our power to safely resume operations in the U.S., which will provide much-needed relief to the families, communities, and small businesses who rely on cruise tourism for their livelihoods.”

While some communities accepted the funds as an unexpected but needed boost, the capital met the offer with caution. In 2019, Norwegian had bid \$20 million on a waterfront port parcel in Juneau appraised at \$3.6 million. Royal Caribbean's bid was a distant second at \$13 million. Norwegian wanted to build a ship dock and facility on the property, which required the City and Borough of Juneau's approval.

Juneau's assembly voted not to accept the pandemic funds, citing a conflict of interest with the potential waterfront development and a need to demonstrate impartiality. The donation earmarked for Juneau went to a community foundation instead, which spread the money among local nonprofits and community projects.

The cruise line donated the \$20 million parcel to the Alaska Native Huna Totem Corporation in 2022, saying in a press release the company wanted the project “fully integrated” into the community and that having Huna Totem lead its development made the most sense. Norwegian and Huna Totem have collaborated on other tourism-linked development projects, in Whittier and Hoonah.

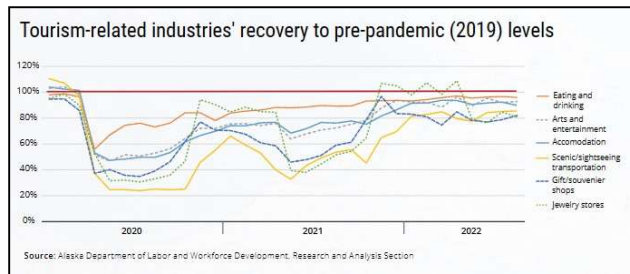
Not just Southeast — passengers make their way all over the state

Southeast communities receive the most ships and passengers by far, and most cruise ships stop in Juneau, Ketchikan, and Skagway (98 percent of all ships that reach Alaska stop in Juneau). However, other parts of the state including noncoastal areas also benefit from cruise ship tourism.



Parts of the Interior receive as much as half of their annual visitors from cruise ships, with 51 percent of Denali visitors and 41 percent of Fairbanks visitors arriving from cruise ships via land tour extensions, usually on the Alaska Railroad. Overall, just over a fifth of cruise ship passengers visit the interior.

The state report mentioned earlier that attempted to quantify the economic effects of ship cancellations estimated the Interior lost about 160,000 visitors in 2020. Some seasonal hotels in Fairbanks and Denali didn't open that year, including the Westmark hotels in Fairbanks and the Princess lodges in Denali, which are both subsidiaries of Holland America.

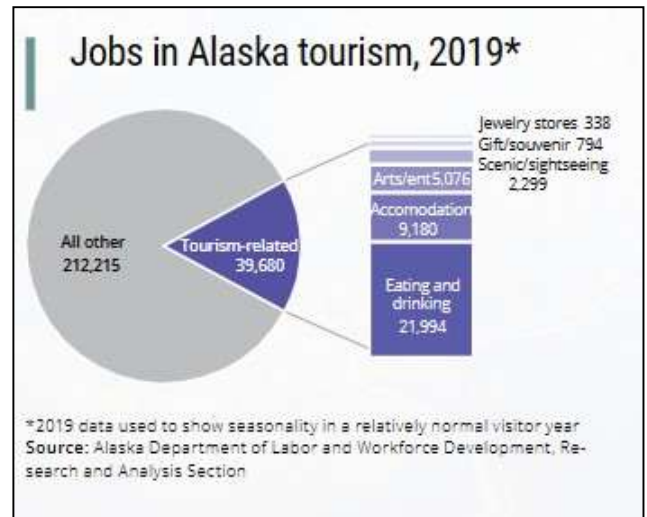


Ships range from the tip of the Aleutians to Prudhoe Bay

Ship routes also extend farther than some might realize. As the map on page 5 shows, ports of call are concentrated in Southeast but dozens of areas will receive at least one ship this year, from Attu, a World War II historical spot at the tip of the Aleutian Islands, to Prudhoe Bay.

Ports of call are places ships stop, such as at a cruise ship dock. Ships can also anchor and send passengers to shore in small boats. The list of ports of call is in the table on page 6, but the map includes multiple waypoints where ships visit along their routes, such as side trips to fjords.

For example, a 21-day German cruise starts in Japan, travels up the Japanese coast, crosses the Bering Sea, visits the Aleutian Islands with stops in Adak and Dutch Harbor, then ends in Seward. A 29-day excursion starts in Seward and ends in Greenland, stopping in Unalaska, St. Paul Island, and Nome.



Finding workers can be a challenge even in a typical year

Because some communities' need for summer workers is orders of magnitude larger than their populations, they relied heavily on out-of-state workers even before COVID. About 21 percent of Alaska's workers overall are nonresidents, and Skagway and Denali workforces are 67 percent nonresident in a typical year. Larger visitor destinations also depend on out-of-state workers. One in four workers in Ketchikan is a nonresident, and in Juneau, the largest city in Southeast, it's one in five.

Some nonresident workers come from outside the United States. Foreign college students with four-month J-1 visas work in Alaska restaurants and hotels under the umbrella of a cultural experience in addition to work, and for some seasonal businesses, they are a critical part of the workforce. Ten-month H2-B visas also provide seasonal labor, focusing on jobs that can't be filled otherwise.

The pandemic curtailed the number of visas available, but at the same time, it reduced the need for workers for the first couple of years.

Alaska had nearly 25,000 fewer workers in 2020 than the year before, and about 60 percent of those cut were nonresidents. In 2021, the worker count ticked up by 6,600 from that pandemic low.

By 2022, as travel demand soared, Alaska and the rest of the country grappled with a worker shortage. Visa numbers have increased but have not yet reached pre-pandemic levels nationally.



The jobs that largely serve visitors

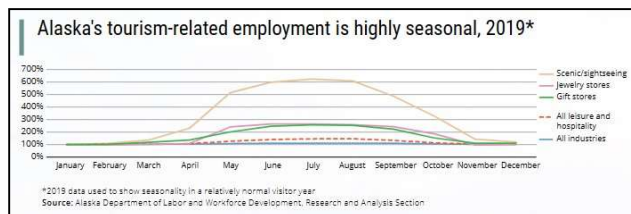
Another way to gauge the pandemic's effect on tourism is to look at job counts in the industries that mainly serve visitors and how much they have recovered. Some categories fared better than others, and while none had recovered their pre-pandemic job levels through the third quarter of 2022 (aside from a couple of off-season months for jewelry stores), some had come very close. (For more on how we define tourism and the categories it includes, see the sidebar on page 5.)

- Alaska had 9,180 jobs in accommodation in 2019, the last year before the pandemic halted travel and left hotels comparatively empty. That dropped to 5,769 jobs in 2020. Accommodation added back about 1,200 jobs in 2021, and the ongoing recovery during the first three quarters of 2022 put the industry at about 92 percent of its pre-COVID job count.

- The largest category by far is bars and restaurants, with 22,000 jobs in 2019. The pandemic cut about 4,500 jobs in 2020 as tourists didn't arrive and locals replaced eating out with takeout or eating at home.

By 2021, many restaurants had adapted to COVID protocols such as spacing, dividers, and limited seating, which brought back nearly 2,100 jobs and lifted the industry to 89 percent of its pre-pandemic employment. Recovery continued in 2022, and while we don't yet have all four quarters of job data for 2022, the first three quarters suggest a 96 percent recovery.

- Jewelry stores are highly seasonal and concentrated in the three main ports — Juneau, Ketchikan, and Skagway — which have 60 percent of the industry's jobs. Jewelry store jobs in the three cities combined jumped from fewer than 20 in January 2019 to just under 340 at the summer peak: a nearly 1,800 percent increase. Many of these stores are owned by international or national businesses that move their staff and inventory to other cruise destinations during Alaska's off-season.



In 2020, jewelry store employment dropped 50 percent from the year before: from 338 jobs to 167. Employment reached about 87 percent of 2019 levels in 2022, and while more growth is likely this year, these

businesses face the same questions as other industries about worker availability.

- Gift and souvenir shops track with the visitor season as well, with typical employment rising from under 500 jobs in January and February to more than 1,200 in July and August. Many of these shops didn't open in 2020, and 2021 saw some resume business with the strong return of independent travelers. Gift stores in Anchorage bounced back more than those in ship-dependent Southeast.

In 2022, these shops' seasonality had returned to its 2019 pattern, with summer peak employment about two-and-a-half times the winter low. The job count remained about 20 percent below pre-pandemic levels, though, with worker shortages a factor in its slower recovery.

- Whale watching, glacier helicopter, and sea-plane tours (known as scenic and sightseeing transportation) mainly serve visitors, so the job count dropped from more than 3,900 in the summer of 2019 to under 1,000 the following year. This industry's summer employment rose to 1,800 in 2021 and jumped to nearly 3,300 in 2022, bringing it to about 84 percent of pre-pandemic levels.

- The arts, entertainment, and recreation category's summer employment is typically 70 percent higher than the off-season, comprising about 5,100 jobs in museums, zoos, performing arts, bowling alleys, cultural centers, outdoor adventures, and gyms in 2019.

This catch-all category lost about a third of its employment in 2020 with shutdowns, added back 500 jobs in 2021 as demand remained low, then recovered another 1,100 jobs through the first three quarters of 2022, putting employment at about 92 percent of its pre-pandemic level.

Where we are as the 2023 visitor season ramps up

Nearly 40,000 people worked in these visitor-related industries in 2019. That number fell by almost a third in 2020 — and that's including a healthy (albeit off-season) first quarter before the pandemic hit.

Based on the first three available quarters of 2022, which include last year's tourist season, visitor-related employment had reached about 93 percent of what it was before the pandemic.

With a continued return to normal in 2023, high demand for travel, and a longer season, this year could



bring a record 1.6 million cruise passengers. Industry expectations for independent travelers are also high. Cruise lines anticipate hitting 100 percent capacity this year, but a few uncertainties remain.

If the U.S. were to enter a recession this year, for example, travel demand would fall as people limit nonessential expenses. The availability of workers, both locally and from out of state, could also continue to hamper the ability to provide visitor services. Job openings in a range of industries have hit highs over the last year, and those in service industries have been some of the hardest to fill. Job opportunities available across the country and low unemployment rates everywhere will likely make it harder to fill seasonal positions in Alaska.

CRUISE SHIP PASSENGER HISTORY

Total cruise ship volume was up by 7.3% between 2017 and 2018.

Cross-gulf passengers (those sailing between Whittier/Seward and ports in the lower 48 and British Columbia) increased by 22.9%. Most of the growth was attributable to increased traffic at Whittier, which saw about 31% more passengers, compared to 16% for Seward.

Alaska's small ship market, which includes ships with capacities of less than 250 passengers, saw a 38.4% increase in 2018, from 13,900 to 19,300 passengers. The growth was attributable to several cruise lines increasing their passenger volume (Lindblad, Un-Cruise, and American Cruise Lines) as well as Windstar Cruises entering the Alaska market, with the Star Legend.

Alaska Cruise Ship Passengers		
Year	Number (rnd)	% Change
2025 Projected	Est. 1,700,000	-5.4%
2024	1,800,000	9%
2023	1,650,000	69%
2022	1,150,000	-16% from 2019
2021*	Est. 10% of capacity est. 124,600	N/A
2020*	48 Passengers	N/A
2019	1,369,000	17.0%
2018	1,169,642	7.3%
2017	1,089,700	8.6%

* Projected by CLIA Alaska

CLIA Alaska was expecting 1,440,000 passengers in 2020 and a 5% to 6% increase over 2019. The market was shut down due to Covid and 48 passengers were recorded for the entire 2020 season. 2021 increased with lifting of restriction in the end of the season 2021 and the season saw 124,600 passengers. 2022 was back to near full season and passengers number rebounded to 1,150,000. 2023 figures were reported at 1,650,000 which is above 2019 levels. The State of Alaska reports that cruise ships were operating at 74% of total capacity for 2022. The highest months were July and August at 79%. 2024 numbers were reported at 1,800,000 a 9% increase from 2023 at 1,650,000 passengers.

ALASKA VISITOR REPORT

The following is taken from a July 2024, Alaska Travel Industry Association by McKinley Research Group, LLC

Total Volume

An estimated 2.65 million out-of-state visitors traveled to Alaska in summer 2023, 65% of whom were cruise visitors, 32% were air visitors, and 3% were highway/ferry visitors.

Table 1. Alaska Visitor Volume, Summer 2023, by Transportation Market		
Transportation Market	# of Visitors	% of Total
Cruise visitors	1,719,000	65%
Air visitors	852,500	32%
Highway/ferry visitors	77,100	3%
Total visitors	2,648,600	100%
Note: Cruise passengers traveling in the "winter" months of April and October are included.		

The total visitor volume of 2,648,600 represents a 20% increase from pre-COVID total of 2,213,000 in summer 2019. The increase is largely attributable to a 29% growth in cruise passenger volume. Air visitors grew by 8%, while highway/ferry visitors fell by 15% over the same time period. The share of cruise passengers grew from 60% to 65%, while the share of air visitors fell from 36% to 32%, and the share of highway/ferry visitors fell from 4% to 3%.



**Table 2. Alaska Visitor Volume,
Summers 2019 and 2023, by Transportation Market**

Transportation Market	Summer 2019	Summer 2023	% Change
Cruise visitors	1,331,600	1,719,000	+29%
Air visitors	790,900	852,500	+8%
Highway/ferry visitors	90,500	77,100	-15%
Total visitors	2,213,000	2,648,600	+20%

Cruise Visitors

Three-quarters of 2023 cruise passengers (76%) were on round-trip itineraries, while the remaining 24% were on cross-gulf itineraries, sailing between Whittier or Seward and ports outside of Alaska, mostly Seattle and Vancouver. The ratio of round-trip to cross-gulf passengers has shifted since 2019, when 68% of passengers were on round-trip itineraries.

**Table 3. Alaska Cruise
Passenger Volume, 2023 By Cruise Type**

Cruise Type	# Passengers	% of Total
Round-trip passengers	1,304,000	76%
Cross-gulf passengers	415,000	24%
Total passengers	1,719,000	100%

Sources: Cruise Line Agencies of Alaska and non-CLAA lines.

Eleven Alaska ports received at least 10,000 cruise passengers in 2023, with three ports receiving the bulk of volume: Juneau (97%), Ketchikan (87%), and Skagway (70%).

**Table 4. Alaska Cruise Passenger
Volume, 2023, by Port (>10,000 pax)**

Port	# Passengers	% of Total Volume
Juneau	1,669,500	97%
Ketchikan	1,497,200	87%
Skagway	1,195,100	70%
Glacier Bay	677,100	39%
Sitka	588,400	34%
Icy Strait Point	484,200	28%
Whittier	223,500	13%
Seward	191,500	11%
Haines	73,200	4%
Valdez	44,900	3%
Wrangell	23,000	1%
Kodiak	12,600	1%

Sources: Cruise Line Agencies of Alaska and non-CLAA lines.

Air Visitors

Air visitor volume is largely based on passenger enplanements for flights exiting the state. Air exits are

measured in terms of five major airports, an “other airports” category, and international. In summer 2023, 73% of visitor air exits were attributable to Anchorage; 11% to Fairbanks; 7% to Juneau; 4% to Ketchikan; 3% to Sitka, and 1% to other. (These exits include some cruise passengers.) Visitor exits via international flights represented 1% of total air exits.

Note that “visitor exits” are not equivalent to the “air visitor market,” which is adjusted to account for cruise passengers exiting via air as well as highway/ferry visitors who exit the state via air.

**Table 5. Air Visitor Exits
Share by Airport, Summer 2023**

Airport	% of Total
Anchorage	73
Fairbanks	11
Juneau	7
Ketchikan	4
Sitka	3
Other	1
International	1

Sources: Airports and airlines; MRG estimates.

Highway/Ferry Visitors

An estimated 77,100 visitors entered and/or exited Alaska via highway or ferry in summer 2023. The main component of highway/ferry visitors are highway travelers in personal vehicles. The Klondike Highway (outside of Skagway) is the most common border crossing for these travelers, representing 42% of all personal vehicle crossings, followed by Alaska Highway (at Beaver Creek) at 36%, Haines Highway at 14%, and Top of the World at 7%.

Ferry represented only 3% of highway/ferry visitor exits (and 0.1% of statewide visitor exits); the loss of Prince Rupert as a port of call and the decline in sailings has severely limited ridership in recent years.



Table 6. Highway Personal Vehicle Crossings Share by Border, Summer 2023

Border	% of Total
Klondike Highway	42
Alaska Highway	36
Haines Highway	14
Top of the World Highway	7

Sources: Department of Homeland Security; MRG estimates.

Visitor Volume: Winter 2023-24

An estimated 398,000 visitors traveled to Alaska between October 2023 and April 2024, with nearly all (97%) exiting the state via air.

Table 7. Alaska Visitor Volume, Winter 2023-24

Exit Mode	# of Visitors	% of Total
Air visitors	387,500	97%
Highway/ferry visitors	10,500	3%
Total visitors	398,000	100%

Note: Cruise passengers traveling in the "winter" months of April and October are excluded.

Winter visitor volume increased an estimated 23% between 2018-19 and 2023-24. Air visitors increased by 25%, while highway/ferry visitors decreased by 21%.

Table 8. Alaska Visitor Volume, Winters 2018-19 and 2023-24, by Exit Mode

Exit Mode	Winter 2018-19	Winter 2023-24	% Change
Air visitors	309,700	387,500	+25%
Highway/ferry visitors	13,300	10,500	-21%
Total visitors	323,000	398,000	+23%

Visitor Volume: Full Year 2023-24

An estimated 3.05 million visitors traveled to Alaska during the 12 month period of May 2023 and April 2024. Nearly nine out of ten visitors (87%) arrived in the summer months, while 13% arrived in the winter months.

Table 9. Alaska Visitor Volume, Full Year 2023-24, by Season

Season	# of Visitors	% of Total
Summer 2023 visitors	2,648,600	87%
Winter 2023-24 visitors	398,000	13%
Total 2023-24 visitors	3,046,600	100%

Note: Cruise passengers traveling in the "winter" months of April and October are included in the summer total.

Over half of annual travelers (56%) were cruise ship passengers, while 41% were air visitors, and 3% were highway/ferry visitors. The share represented by cruise ship passengers increased from 53% in the last 12-month period studied (2018-19) to 56% in 2023-24.

Table 10. Full Year Visitor Volume, by Transportation Market

Transportation Market	# of Visitors	% of Total
Cruise visitors	1,719,000	56%
Air visitors	1,240,000	41%
Highway/ferry visitors	87,600	3%
Total visitors	3,046,600	100%

The most recent 12-month period of 2023-24 saw an estimated 20% more visitors than the pre-COVID period of 2018-19. Most of the change was attributable to a 29% increase in cruise volume. Air visitors increased by 13%, while highway/ferry visitors fell by 16%.

Table 11. Alaska Visitor Volume, Full Year 2018-19 and 2023-24

Transportation Market	2018-19	2023-24	% Change
Cruise visitors	1,331,600	1,719,000	+29%
Air visitors	1,100,600	1,240,000	+13%
Highway/ferry visitors	103,800	87,600	-16%
Total visitors	2,536,000	3,046,600	+20%

Indicators

The following indicators help illustrate how the most recent summer and winter seasons fared compared to the previous year in terms of tax revenues, fishing/hunting license sales, and hotel statistics. Summer 2023 Bed tax revenues in summer 2023 were up in all six communities measured, with Railbelt communities seeing higher increases (between 11% and 17%) than Southeast communities (between 2% and 7%). Anchorage vehicle tax revenues were down by 1%, while RV rental tax revenues were down by 17%. Note



that changes in tax revenues can reflect changes in rates as well as volume.

Non-resident sportfishing/hunting license sales were up by 1%. (While this reflects full year and not summer-only sales, nearly all non-resident license sales occur in the summer months.)

According to hotel statistics provided by STR, Anchorage showed the highest occupancy in 2023 among the three largest markets at 84%, followed by Fairbanks at 80% and Juneau at 76%. Compared to summer 2022, occupancy was about the same for Anchorage (up by 0.8%), and down slightly for Fairbanks and Juneau (by 3%).

Average daily rates (ADR) were highest in Anchorage (\$249) followed by Juneau (\$226) and Fairbanks (\$215). Compared to the previous summer, ADRs were up by between 10% and 13% in the three communities.

		% Change
Bed Tax Revenues		
Anchorage		+11%
Fairbanks		+11%
Denali		+17%
Juneau		+4%
Sitka		+2%
Ketchikan (City)		+7%
Anchorage Vehicle Tax Revenues		
Vehicle		-1%
RV		-17%
Sportfishing/Hunting Licenses		
Total sales to non-residents		+1%
Hotel Occupancy		
Anchorage	84%	+0.8%
Fairbanks	80%	-3.1%
Juneau	76%	-3.4%
Hotel ADR (Average Daily Rate)		
Anchorage	\$249	+10.1%
Fairbanks	\$215	+13.2%
Juneau	\$226	+9.7%

Sources: Municipality of Anchorage, Explore Fairbanks; City and Borough of Juneau, City of Ketchikan, City and Borough of Sitka, Denali Borough, Alaska Department of Fish & Game, STR.
 Note: Not all hotel properties participate in STR reporting; 78% of Anchorage properties, 72% of Fairbanks properties, and 66% of Juneau properties contributed data.

Winter 2023-24

Bed tax revenues increased the most in Fairbanks (13%) when comparing the winter of 2023-24 with the previous season. Anchorage also saw a strong increase at 9%, while Juneau and Sitka saw smaller gains (5% and 4%, respectively). Only Ketchikan showed a loss, of 9%.

Vehicle tax revenues were down by 13%, while RV tax revenues were down by 28%.

Hotel occupancy ranged between 53% in Juneau to 60% in Anchorage to 62% in Fairbanks. Compared to the previous season, occupancy was up slightly in Anchorage (+2%), and down slightly in Fairbanks (-3%) and Juneau (-4%). ADRs were fairly consistent across the three largest markets: \$151 in Anchorage, \$148 in Fairbanks, and \$146 in Juneau. ADRs saw a big increase in Fairbanks (+12%), also growing by 6% in Anchorage and 2% in Juneau.

		% Change
Bed Tax Revenues		
Anchorage		+9%
Fairbanks		+13%
Juneau		+5%
Sitka		+4%
Ketchikan (City)		-9%
Anchorage Vehicle Tax Revenues		
Vehicle		-13%
RV		-28%
Hotel Occupancy		
Anchorage	60%	+1.8%
Fairbanks	62%	-3.4%
Juneau	53%	-4.4%
Hotel ADR (Average Daily Rate)		
Anchorage	\$151	+6.3%
Fairbanks	\$148	+12.3%
Juneau	\$146	+1.9%

Sources: Municipality of Anchorage, Explore Fairbanks; City and Borough of Juneau, City of Ketchikan, City and Borough of Sitka, Alaska Department of Fish & Game, STR.
 Note: Not all hotel properties participate in STR reporting; 78% of Anchorage properties, 72% of Fairbanks properties, and 66% of Juneau properties contributed data.

CRUISE SHIP NEWS ALASKA

Big Luxury Cruise Capacity Increase Coming in Alaska

The following is taken from a March 5, 2025, Cruise Industry News Report.

Cruise Industry News' 2025 Luxury Market Report has revealed that Alaskan ports will see a significant increase in luxury ships making calls in the region next year.



According to the report, Alaska will accommodate 4.8 percent of the total major luxury sailings' capacity in 2026, while seeing an 11.9 percent capacity increase from this year.

Silversea holds most of the market share in 2025 with 34.6 percent, and Viking Ocean is set to lead next year with 26.5 percent. Also leading with high market shares will be Regent and Seabourn in the same year.

The 2025 report has also shown that Alaska will see ships from five major industry players in 2025, with three more to enter in 2026. Windstar and Crystal will return with one ship each next year, while The Ritz-Carlton Yacht Collection is set make its first debut.

In addition to luxury market reports for all the major sailing regions, the report offers insights from key luxury market industry players, ship deployment breakdowns, detailed fleet listings, expert commentary, data analysis and more.

Royal Caribbean to Open New Juneau Port After Vote Against Cruise Restrictions

The following is taken from a October 18th, 2024, by Dawit Habtemariam.

Royal Caribbean Group is opening a new port in Juneau, Alaska, a move it claims will help disperse foot traffic in the city's downtown as residents continue to debate the cost and benefits of cruise ships.

The announcement came on October 16, a day after city officials certified the results of a local election that would have imposed some cruise restrictions. Residents voted down the ballot measure, called "Ship-Free Saturdays."

"The community specifically voiced that downtown traffic was an issue for them. This would be a solution to alleviate one-third of the traffic," said a Royal Caribbean spokesperson.

But city officials said they were surprised by the announcement. "We were unaware of this plan and are disappointed that they did not bring the city to the table early in the planning process," said Alexandra Pierce, tourism manager for Juneau.

Royal Caribbean Group signed an agreement with Goldbelt Incorporated to build the port on the backside of Douglas Island, more than 10 miles from downtown. The port is expected to open in 2027. Juneau's downtown currently has four cruise ship berths. Cruise passengers will take a shuttle from the port to the local attractions.

"We look forward to the prospect of bringing this sustainable, culture-rich cruise terminal to life in partnership with Royal Caribbean Group, providing community solutions to local

transportation and economic development issues," said McHugh Pierre, president & CEO of Goldbelt, in a statement.

Royal Caribbean Group waited to make the announcement until after city officials certified the election results on October 15. Between October 1 and 14 city officials had been counting the votes.

"We wanted to wait for the official certification of the Juneau ballot results, which took place on the 15th. Once that happened, we moved forward with the announcement," said a Royal Caribbean spokesperson.

The Impact of Cruises

In recent years, Juneau residents have expressed frustration with overcrowding and congestion in the downtown area, as well as the impact on the local ecosystem and waters.

Juneau, a city of 32,000 people, had a record 1.65 million visitors last year, up from 1.31 million in 2019, according to the city government. On some days, as many as 20,000 cruise passengers descend on the city.

Juneau is a popular cruise port for Alaska itineraries. Royal Caribbean Group, Norwegian Cruise Line, and Carnival — along with Disney, Viking, and other companies — all offer itineraries that include Juneau.

Karla Hart, who led the effort to put the "Ship-Free Saturdays" measure on the ballot, believes the new port will exacerbate overtourism because it will bring in more cruise passengers. She described the traffic alleviation claim as "an excuse to make more money."

Other Agreements

Royal Caribbean and other companies had previously threatened to sue the city if the ballot measure passed. Royal Caribbean, alongside multiple cruise companies, donated to Protect Juneau's Future, a coalition of businesses that opposed the measure. The coalition spent over \$600,000 to campaign against it. Goldbelt's Pierre is the chair of Protect Juneau's Future.

Royal Caribbean expects to continue following the memorandum of understanding agreements it signed with the city to try to manage the growth in cruise tourism. "We are honoring and upholding the MOUs that we have in place with the region," said the spokesperson.

Under the agreements, the city and the cruise industry capped the number of large cruise ships docking each day at five for this year. Starting next year, the number of daily passengers will be capped at 16,000 from Sunday to Friday and 12,000 on Saturdays.



ALASKA RENTAL MARKET

The following information is presented from Alaska Economic Trends – May 2024 by Rob Kreiger, economist with the Department of Labor.

Home market continues to cool

In 2023, housing hit its least affordable level since 2006

Home sales prices edged higher in 2022 and 2023 and interest rates continued to rise, pushing housing to its least affordable level since 2006. That's unlikely to change any time soon.

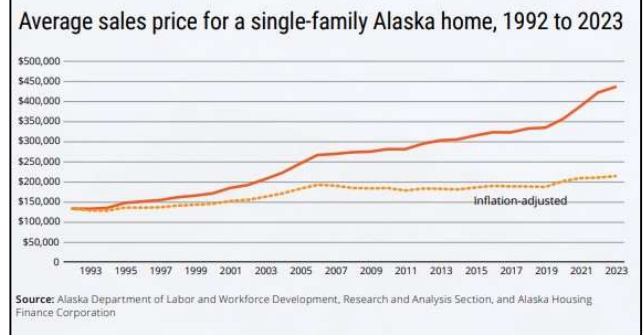
According to data from Multiple Listings Services and our Quarterly Survey of Lending Activity, sales in Alaska's major markets settled back below their pre-pandemic levels last year and in many cases hit decade or record lows. Homes are still selling, and the market is by no means stalling, but limited inventory — a common theme in recent years — and dwindling affordability pushed some prospective homebuyers out of the market.

Why a quick return to historically average affordability is unlikely

While affordability is probably keeping many buyers on the sidelines as they wait for conditions to change, a major market shift is unlikely in the near future because none of the factors that can move the affordability needle are expected to change dramatically in the next few years.

For example, interest rates, which have climbed in recent months, will not fall back to record lows absent a major economic shock. It's important to remember that rates dropped that low during the pandemic, 2020 and 2021, partly because policymakers took drastic measures to stabilize the economy. Low interest rates combined with higher wages and a limited supply of homes for sale created a frenzied buying market as housing reached its most affordable level on record.

If inflation continues to cool and market expectations about the future of inflation shift, rates for 30-year fixed-rate mortgages could decrease in the coming months or years. However, mortgage rates would need to fall about 170 basis points (a basis point is one-hundredth of a percentage point) to reach affordability in line with the historical average, which is unlikely in the short term.

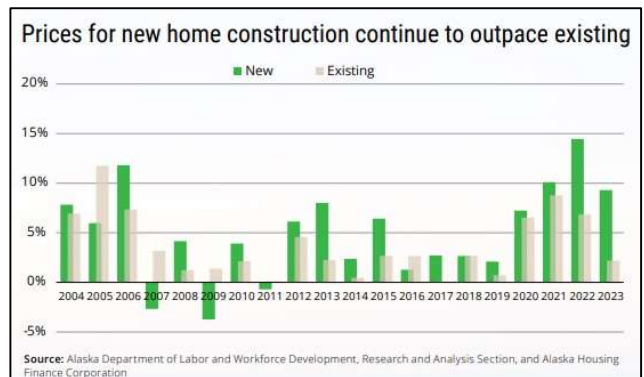


Absent that type of rate drop, the other two components of housing affordability — sales prices and monthly wages — would have to move significantly, which is equally unlikely in the near future.

Sales prices may come down as affordability weighs on demand, but history shows that a price drop large enough to affect affordability is not likely. The last time prices soared, in both nominal and inflation-adjusted terms, was 2003 to 2006. After that, prices leveled off and then rose much slower for many years after, even losing ground to inflation some years. In other words, prices can fall, but it usually happens gradually over many years.

Average wages have risen nearly 20 percent since 2019 and will continue to go up, but affordability returning to average would require another 20 percent wage increase. Pay will rise that much but over a longer period.

While we won't soon return to the super-affordability of the pandemic years, it is possible to return to average affordability with some combination of a drop in interest rates, a decline in prices, or a wage increase. Interest rates are the most likely of the three to move in an affordable direction in the coming months.



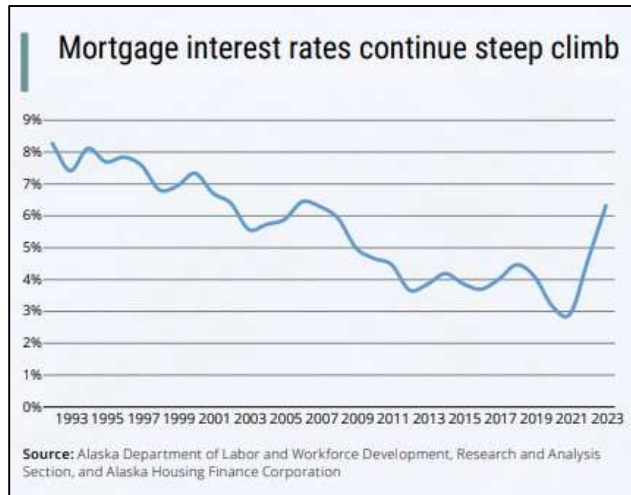
Rising rates and prices weighing on affordability

The average sales price for a single-family home in Alaska rose 3.3 percent in 2023, to \$436,407.



As was the case in 2022, the largest cost increase came in new construction, where buyers appear to be using larger amounts of cash and would therefore be less sensitive to interest rates. New home prices rose 9.3 percent from the previous year while existing construction rose 2.2 percent, putting the averages at \$612,745 and \$414,728, respectively.

At the same time, interest rates for 30-year fixed rate mortgages moved up to an average of 6.33 percent, the highest since 2006. Since 2021, the average rate has risen an unprecedented 340 basis points.



The Alaska Affordability Index, a measure we've produced since 1992, shows how many people earning the average wage it takes to make the payment on a 30-year fixed-rate mortgage.

About the Alaska Affordability Index

The Alaska Affordability Index is calculated by determining the monthly principal and interest payment for a 30-year fixed rate mortgage to buy the average priced single-family home, with a down payment using the average loan-to-value ratio — which comes out to about 20 percent.

The required monthly income for the mortgage is determined by dividing the monthly principal and interest payment by 24 percent, where 24 percent is the maximum amount of income a home buyer should spend on monthly mortgage payments. Using 24 percent is more conservative than the 30 percent commonly used in other home-ownership calculations.

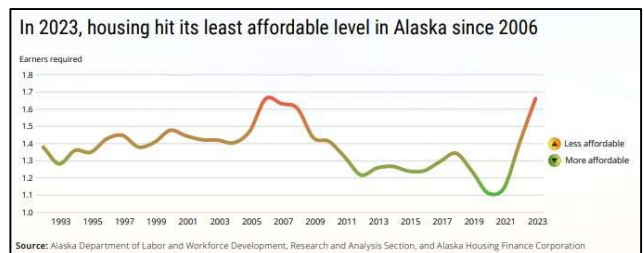
The index values are then determined by dividing the required monthly income by the average monthly wage from our own data. When required monthly income and average monthly wages are the same, the value is 1.0. As the gap between required monthly income and average wages increases, the index value increases, showing housing is less affordable as higher wages are needed to meet the monthly income requirement. As the gap narrows, housing requires less in wages and is more affordable.

The average wage is based on wages employers report to the Alaska Department of Labor and Workforce Development when they submit their unemployment insurance tax reports each quarter.

The estimated average monthly mortgage payment is based on the loan amount needed to purchase the average-priced single-family home and the fixed interest rate Alaska mortgage lenders report to us each quarter in the Alaska Quarterly Survey of Lending Activity. We conduct this survey with Alaska Housing Finance Corporation.

The Alaska Affordability Index is available [on our website](#).

An index value of 1.0 means that one person's average monthly wages are sufficient. As the index value rises, it shows housing is becoming less affordable. Various market conditions can cause this number to change from year to year, and areas around Alaska have varying levels of affordability.

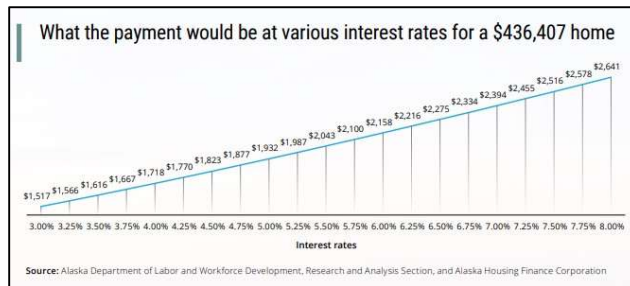


The index's strengths are that it shows how affordability differs across major housing markets and the direction it's moving. However, it considers only the mortgage payment, and the real costs of owning a home are much higher — property taxes, utilities, and insurance can easily add hundreds of dollars each month.



The index also doesn't consider any buyer-specific factors that can make housing more affordable than the index would suggest. For example, a larger down payment means a lower monthly mortgage payment. Buyers can also qualify for lower rates than the index uses depending on their credit history, and even a few basis points could make the difference in being able to afford a home.

In 2023, the average affordability for the year was 1.66 average earners, the same as in 2006. For historical context, average affordability going back to 1992 has been 1.38, and the record low, when housing was most affordable, was 1.11 in 2020.



The effects on different types of Alaska buyers and owners

There's no ideal level of affordability nor a consensus definition of "unaffordable" housing, and the fact that homes have become less affordable recently is a problem for some, but not all.

For example, first-time homebuyers are having a harder time in the current market, and many may defer purchasing in the hope that something changes soon. Even if buyers have enough cash for the down payment, higher rates are making it harder for some to buy the homes they want, and what falls into their price range may not be desirable.

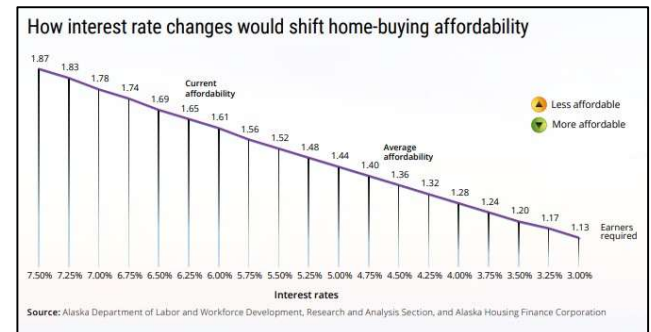
For some existing homeowners, especially those who have owned their homes outright for many years, there has never been a better market. After a long period of modest price growth from 2007 to 2019, existing homeowners saw the value of one of their largest assets jump 30 percent in just a few years, from an average of \$335,362 in 2019 to \$436,407 in 2022.

Affordability also matters to this group of long-term owners in the sense that they want prices to continue rising, but they need enough buyers in the market who can afford those prices when they're ready to sell.

Another category of existing homeowner — one who bought in recent years and has less equity in their home — cares about affordability from the perspective that they might feel stuck in their current home. What they could afford a year or two ago when rates were much lower may be unaffordable now, so these homeowners do not want to give up their current mortgage payment with a low rate because they would have a hard time upgrading to their next home.

If this type of owner does sell, depending on the equity they built up in the short time they owned the home, what they can afford next might be less of a house than the one they just sold.

The chart above shows the relationship between interest rates and monthly payments for a loan on the average-priced house in 2023, which was \$436,407. When rates were at 3 percent in 2021, the monthly principal and interest payment would have been \$1,517. In 2023, interest rates at 6.33 percent pushed the monthly payment above \$2,200.



How movement in prices, rates, or wages would shift affordability

To the extent affordability is contributing to the current state of the market, as explained earlier, nothing big will change unless interest rates fall, sales prices fall, or wages rise.

While housing could realistically become more affordable from some combination of these factors, the following scenarios look at each individually to give a sense of how much they would need to move on their own to get housing back to average affordability (1.38).

Of all these scenarios, falling interest rates are the most likely to have an immediate effect on affordability while keeping the market stable.

What would it take to get back to average affordability if only one factor changed?



If only rates fell, they would have to drop to 4.6%. If prices and wages remained unchanged, rates would need to drop from the current rate of 6.3 percent to around 4.6 percent for housing to reach average historical affordability. This would be a big drop by historical standards and could happen over months or years, but not quickly.

If rates do trend downward while prices and wages remain stable, more buyers will return to the market, although not to the degree they did during the pandemic. This could push prices higher, but less than they've risen in the last few years.

If only prices fell, they would have to decrease by 17%. A prospective homebuyer may root for a decline in prices, but it's the last thing most homeowners would want. For housing to return to average affordability with stable wages and interest rates over the next few years, prices would have to drop about 17 percent.

Not since the housing crash of the 1980s have prices fallen that hard; it would likely take a massive increase in home inventory amid a collapse in demand. However, inventory could increase less dramatically in two major ways: overbuilding or people leaving the state in large numbers.

Overbuilding is less likely because the level of construction has been fairly consistent since 2008 with no indication of too many homes being built. People leaving the state, on the other hand, is a risk and will be important to watch in the coming years.

Alaska has seen 11 straight years of negative net migration, or more people leaving the state than moving in. The biggest change has been fewer people moving to Alaska rather than more people leaving.

The working-age population is shrinking, and they are an important home-buying demographic. If the decrease continues, demand could slump even without more construction. The net out-migration trend continuing or accelerating could destabilize the housing market, so it will be critical to understand not just who is leaving Alaska or not coming in, but why.

If only wages rose, it would take a 20% increase. Affordability is determined in part by what percentage of monthly wages are used for mortgage payments. Since 2019, the average monthly wage has risen about 18 percent, not adjusted for inflation, and that wage growth combined with record low interest rates had kept housing at the most affordable level on record.

Wages will continue to grow, but in the short term, an increase that big tends to take years. Given that housing in 2023 was the least affordable since 2006 (at an average monthly wage of \$5,600), wages would need to rise 20 percent to reach average affordability if rates and prices remained where they are.

POPULATION

Population: The Alaska Department of Labor and Workforce Development's current (2023) population estimate for the Kenai Peninsula Borough is 60,898, an increase of 1.5 percent from 2022. The current population for Soldotna is 4,681 as of 2024 up from 4,163 in 2010. The population has remained fairly stable.

APARTMENT RENTS

Apartment rents have been increasing gradually since 1990, with notable increases generally occurring approximately every two years. Average annual rent growth has historically been less than 3% during this period. The last two years have seen annual growth rates of roughly 5% or more based on our survey of numerous larger Anchorage properties.

In terms of dollars, rents for one-bedroom and two-bedroom units at several complexes we contacted increased between \$25 and \$100 (or more) in the early 2010s and have grown quite slowly since, but are planning increases for 2024. The following table shows the 2024 FY HUD Fair Market Rents for apartments in Kenai Peninsula Borough.

Apartment Rents		
Size	2024 HUD Survey	State Survey
Efficiency	\$984	\$800
1-Bedroom	\$990	\$943
2-Bedroom	\$1,301	\$1,095
3-Bedroom	\$1,833	\$1,286
4-Bedroom	\$2,090	N/A

LAND TRENDS

Kenai Peninsula Borough has ample vacant land available and with limited changes in population the development of land has been slow. According to MLS, Homer has 61 active land listings with an active days on market of 180 days. Land has increased roughly 5% in the past 12 months. Overall, land is expected to remain steady with high demand and limited inventory. In fact, we have already seen this development pattern emerge over the last few years.



VACANCY RATE

Kenai Peninsula Borough rental market has been stable over the past 10 years. According to the State of Alaska Department of Labor, 2023 residential market survey, vacancies for apartments are 0% for efficiency and 3.1%, 4.4% and 7.7% for 1, 2 and 3-bedroom units. Vacancy rates have dropped from 3.3%, 5.0%, 2.3% and 5.9%, respectively. The city of Soldotna has a much lower vacancy rate and ranges from 0-5%. The average vacancy rate is 4.0%.

Vacancy for Kenai Peninsula Borough is above the major urban areas such as Juneau and Matanuska-Susitna borough. Anchorage has a similar vacancy rate at 4.1%.

STRENGTHS AND WEAKNESSES

Strength and Weakness of the Subject

As mentioned throughout this report, the appraised site is comprised of an irregular shaped lot totaling 395,960 SF or 9.90 acres. The proposed improvements consist of a nine employee housing complex with 60 beds. Listed below is a summary of the subject's strengths:

- Affordable employee housing is in high demand.
- stable local economy
- good location to Homer
- tourist numbers rebounded

Listed below is a summary of the subject's weaknesses or potential weaknesses:

- high oil prices might have a negative effect on tourism for 2025.

The near-term market trends of the subject property in the area looks stable. Overall, we expect the subject to compete effectively within the marketplace.

CONCLUSIONS

The Kenai Peninsula Borough Apartment market is healthy at this time. The area has favorable demographic trends, which should lead to moderate growth and expansion in the next several years. The market should remain stable over the foreseeable future. Market participants in all sectors of real estate are keeping a close eye on the market going forward in 2025.



REAL ESTATE TAXES & ZONING



Real estate taxes and zoning issues are discussed in the following paragraphs. The following is based on information provided by the Kenai Peninsula Borough.

REAL ESTATE TAXES

State statutes require that 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 Kenai Peninsula Borough identifies the subject property as tax parcel number: 171-070-31. The proposed development will not be fully assessed until January 2026. We present the tax assessment and real estate taxes for the vacant lot for 2023 through 2025.

Property Tax History					
Tract C	Land	Imps	Total	Mill	Tax
2025	\$49,500	\$404,400	\$453,900	---	---
2024	\$50,200	\$809,300	\$859,500	10.31	\$8,861
2023	\$41,800	\$2,000	\$43,800	10.77	\$472

As shown, the subject’s assessed value (AV) for the land has increased 18% in the past couple years.

The subject’s 2025 assessed value represents 12% of our market value “at completion.” Our research of numerous properties that have sold over the past several years indicates an average assessed value ratio (assessed value / market value) of roughly 70% to 80%.

Over the last five years, the mill rate has remained fairly flat, with a slight decrease in the past couple of years. We do not expect any significant changes in the short term. The taxes are based on the 2024 Mill rate of 10.31.

For our tax projection in the Income Capitalization Approach, we project taxes based on the “at completion” market value of the developer’s projections at \$3,720,000, apply the 2024 mill rate of 10.31 and a 70% assessment ratio. Property taxes are estimated at \$26,847, rounded to \$26,900.

ZONING

The subject is located in an area that is not subject to zoning codes.



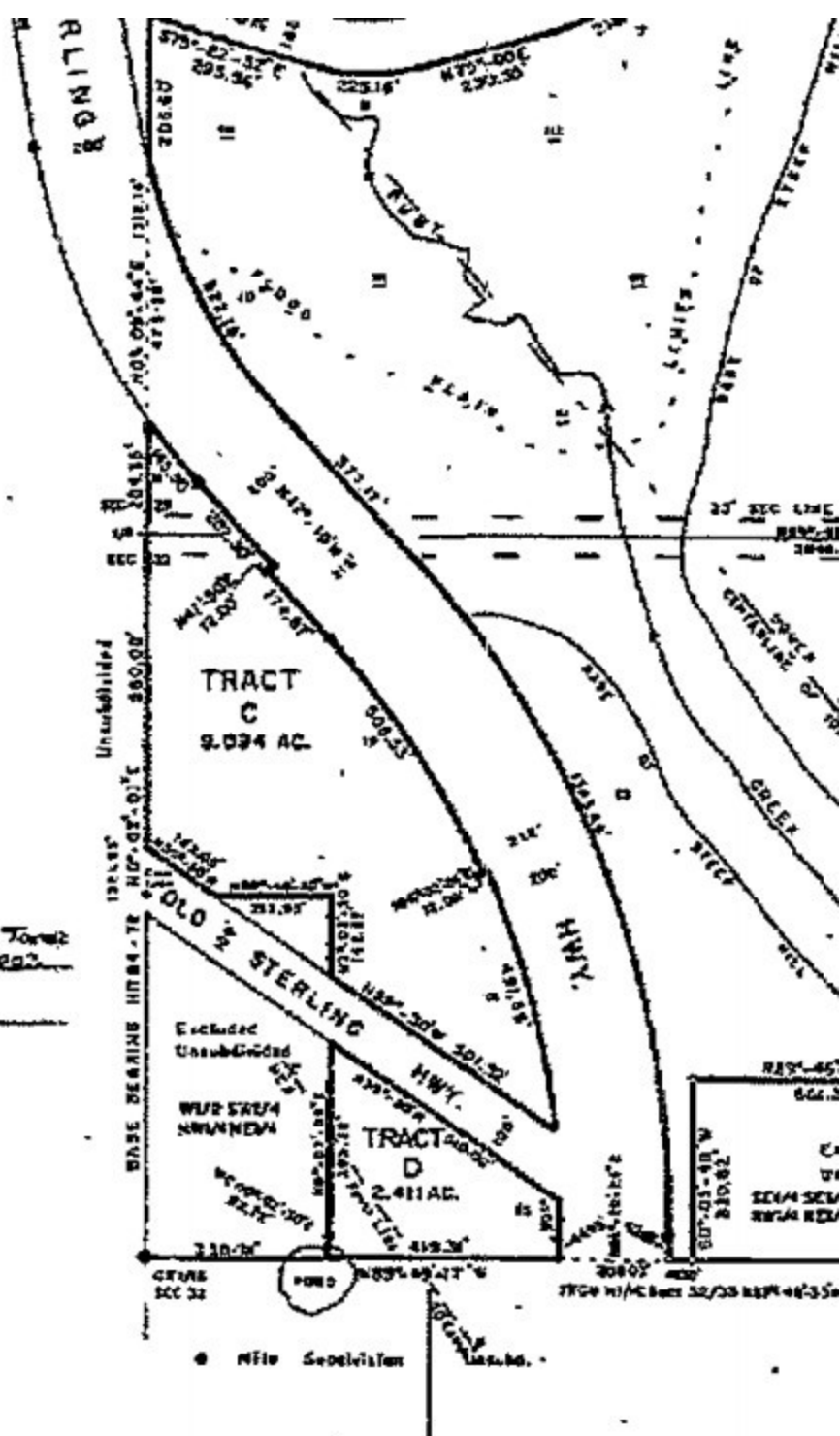


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SITE DESCRIPTION AND ANALYSIS

In this chapter we describe the site and the issues that influence the subject's market value. This section provides the basis for determining the property's highest and best use and helps in identifying and selecting comparables suitable for land valuation analysis.

The following information is based on our review of the subject's plat map, utility maps, flood hazard maps, The Kenai Peninsula Borough records, and a physical inspection of the property.

The reader's attention is directed to the plat map on the facing page and as-built on the following page. A description and analysis of the subject site follows.

NEIGHBORHOOD DESCRIPTION



As shown, the subject is located on the northwest corner of the Sterling Highway and Old Sterling Highway Intersection. The subject can be accessed from a driveway on the southwest corner of the site via Old Sterling Highway.

Sterling Highway is a paved two-lane road that runs north to Soldotna and connects into the Seward Highway from Seward at Tern Lake. The Old Sterling Highway a paved two-lane road that runs from Anchor Point and connects to the Sterling Highway at the subject lot.

There are several commercial developments (lodges) located along the major roadways. In the immediate area, there are numerous residential development buildings.

If the subject site were vacant and available today, the highest and best use of the site, if vacant, would be a commercial/residential-oriented development, or else to hold vacant until speculative construction becomes feasible.

SITE DESCRIPTION

Tax Map



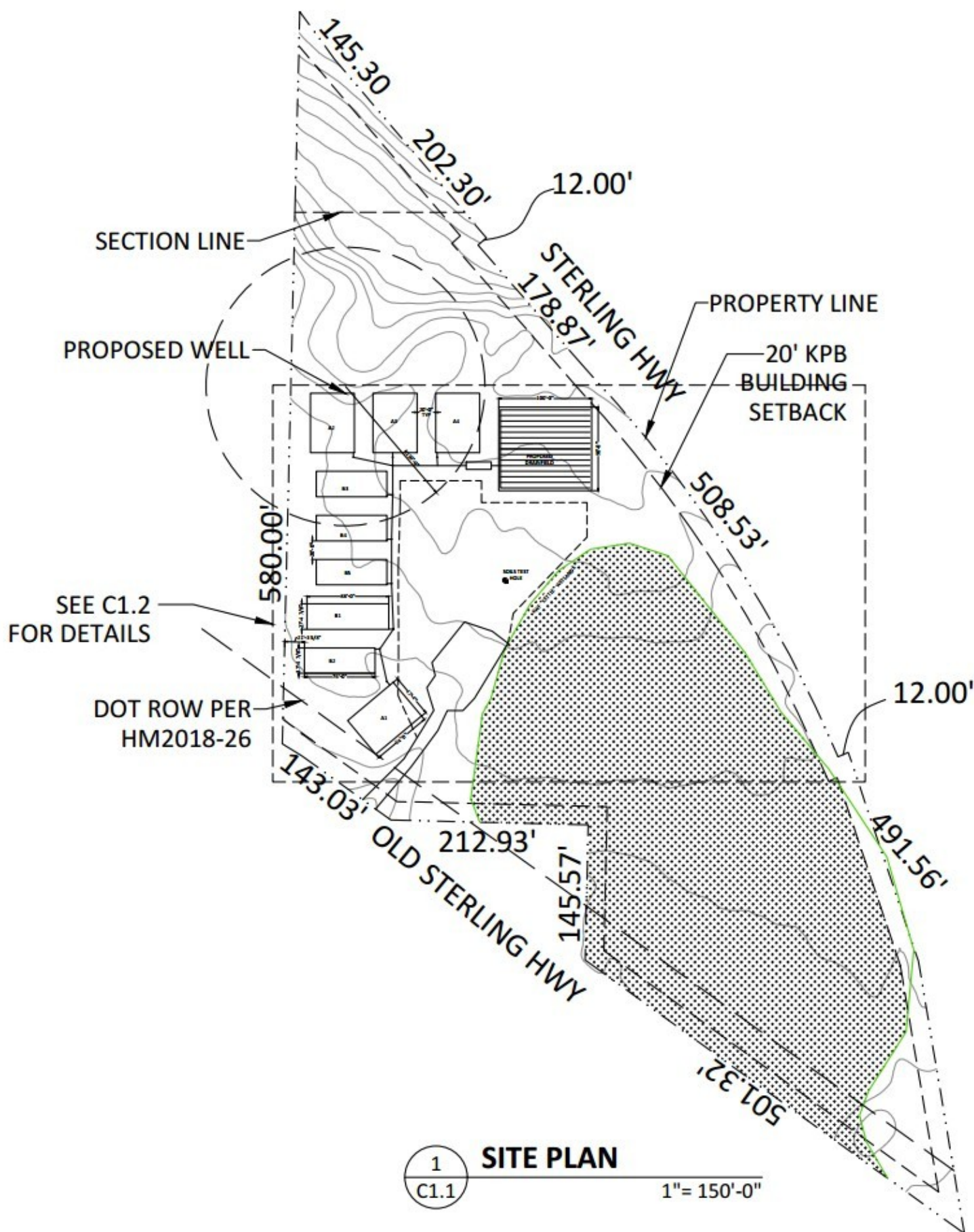
Aerial Map



Site Description

The subject of this appraisal is the proposed Anchor 907 – Work Force Housing Complex located at 42706 Old





Sterling Highway in Anchor Point. The site is located on the northwest corner of Old Sterling Highway and Sterling Highway, 7 miles northwest of Homer. The site is comprised of an irregular shaped parcel. The parcel has a total site area of 9.09 acres or 395,960 SF.

Excess Land



The utilized site area is estimated at 205,296 SF, or 4.69 acres. The remaining 191,664 SF, or 4.40 acres is considered excess land. The lot size is presented below.

SITE AREA		
Land Type	SF	ACRES
Tract C	395,960	9.090
Total Site Area	395,960	9.090
Allocation		
Utilized Site	204,296	4.690
Excess Land	191,664	4.400
Total	395,960	9.090

The lot has 1,526.56' of frontage along the Sterling Highway and 1,002.85' of frontage along the Old Sterling Highway.

Topography

The property is level and at-grade with surrounding streets. The area fronting Sterling Highway has a steep berm that is slightly above grade.

Streets, Exposure and Access

The subject is located on the northwest corner of the Sterling Highway and Old Sterling Highway Intersection. The subject can be accessed from a driveway on the south west corner of the site via Old Sterling Highway. The Sterling Highway is the major

thoroughfare connecting Homer to the Seward Highway at Tern Lake. The Old Sterling Highway runs from Anchor Point and connects to the Sterling Highway at the subject lot.

Utilities

Public utilities include electricity and telephone with propane fuel. The site has a well and septic system.

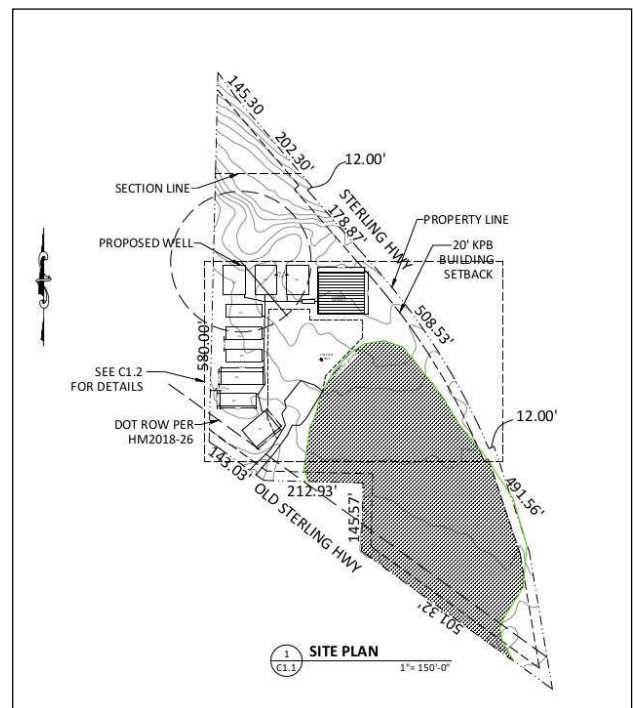
Easements

The as-built shows the following easements:

- 20' building setback easement along Sterling Highway and Old Sterling Highway.
- ROW easement along Old Sterling Highway.
- Section line that runs west/east along the north section of property. Section lines are typically considered access easements.

A title report was not made available to verify the existence of any easements. Easements are common throughout commercial properties in Alaska and do not typically impact the use or development potential of a site.

Soil Conditions



A soil report was provided by Bayside Engineering, LLC dated July 27, 2022. The report indicated the following:

A large portion of the property has been identified as potential Kettle Wetlands by the Kenai Watershed Forum. It should be noted that at the time of the investigation, there were no streams or standing water visible on the property. The US Army Corp of Engineers should be contacted to determine if the area of potential wetlands on the property requires any specific nationwide permitting. A 100' separation distance is required from any standing water to the septic tank and SAS.

The soils analysis and percolation tests were performed near an existing shipping container on the property. No impermeable soils were discovered at the time of excavation. Groundwater was noted at 12 feet below grade with signs of season groundwater at 9 feet below grade. The soil horizon between 42"-58" inches below grade were investigated and determined to have a percolation rate of 4.44 min/ inch. This percolation rate corresponds to an application rate of 1.2 gpd/ft² of drainfield.

The developers indicated that the total site was reported to be usable. The site has no improvements besides a driveway and small pad that was used for a trailer in the past. *It is an express assumption of this appraisal that soil conditions are adequate to support the improvements over their remaining useful economic life without penalty for corrective measures.*

Flood Zone Rating

No flood plain maps are currently available from Federal Emergency Management Agency. No streams or rivers are near the subject's location. To the best of our knowledge, the property is not located in a recognized flood zone.

Hazardous Materials

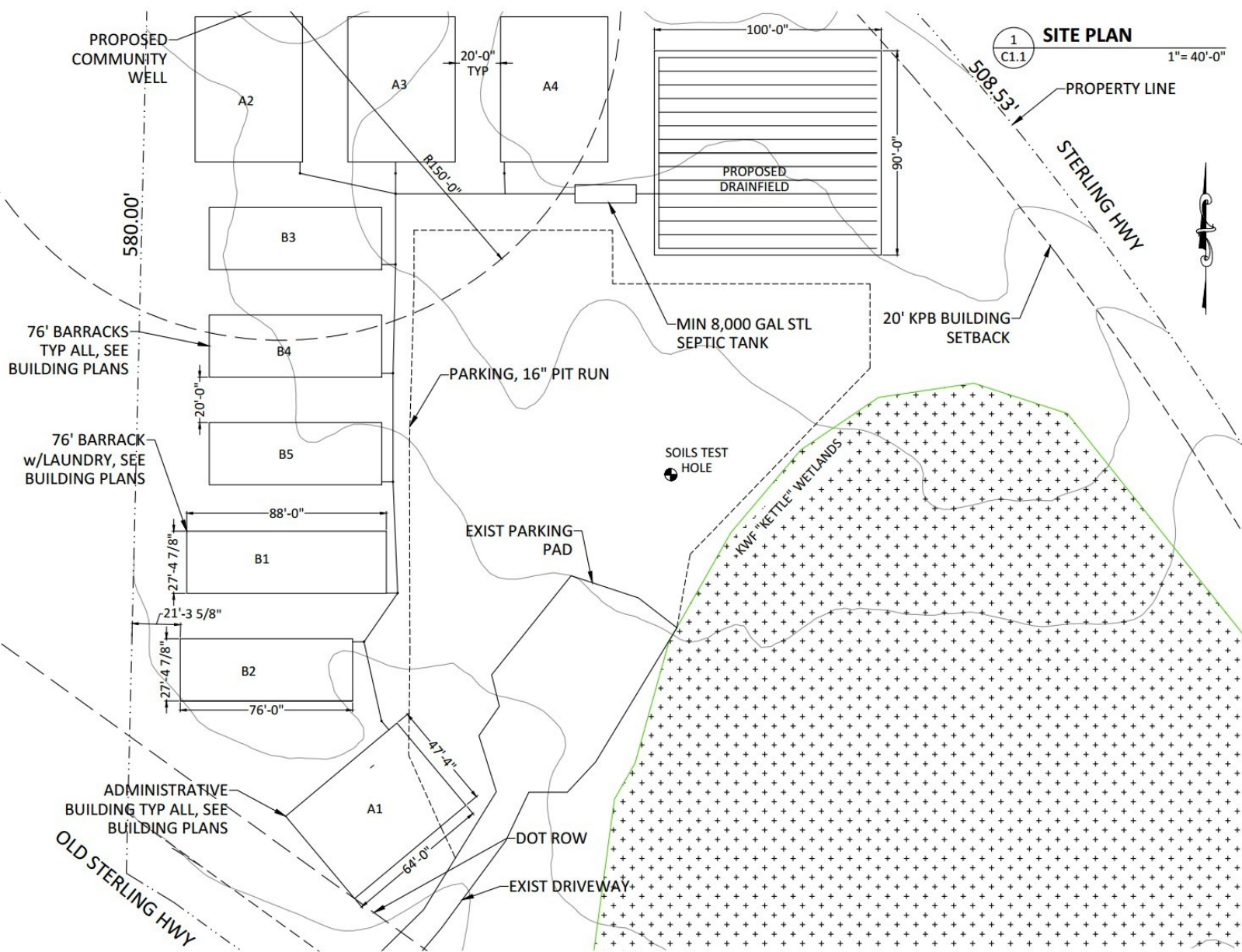
Please note that the professional competency of an appraiser should not be presumed to include the knowledge or experience of a professional engineer, surveyor, architect, or other specialist in detecting hazardous materials. We performed the property inspection with the due diligence required of a professional real estate appraiser. Our inspection yielded no obvious indication of hazardous materials.

We have not adjusted our value conclusions for the possibility of asbestos or any other hazardous material. It is an express assumption of this appraisal that the appraised property is not affected by hazardous material or contamination of any kind.

Suitability of the Site

The appraised property offers an Anchor Point location with good access and exposure. Overall, we find the proposed improvements to be adequately suited to meet the typical demand in this segment of the market.





Improvement Description

BUILDING AREA	GBA (SF) Per Unit	Built	CONSTRUCTION TYPE	Roof	FOUNDATION	HEATED/PLUMBED/ LIGHTED/INSULATED	USE
Barrack 1 w/ Laundry	2,630	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Barrack 2	1,754	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Barrack 3 w/ Laundry	2,630	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Barrack 4	2,082	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Barrack 5 w/ Laundry	2,630	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Barrack 6	2,082	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Year Round
Adm Building 2	3,027	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Summer Only
Adm Building 3	3,027	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Summer Only
Adm Building 4	3,027	2007	Manufactured	Metal	Piling	Heated, Plumbed, Lighted, Insulated	Summer Only
Total	22,891						

IMPROVEMENT DESCRIPTION & ANALYSIS

In this chapter we describe the improvements built on the site and the issues that influence market value. This section provides the basis for determining the highest and best use and helps in selecting sales and rent comparables suitable for analysis.

Physical measurements and gross building and gross living areas are based upon information provided by the owners. A floor sketch for each building is presented on the following page. A description and analysis of the subject follows. In addition, subject photographs are included at the end of the section for a visual depiction of the subject exterior and interior space. These photos were provided by the developer and show the subject units current condition “as is” at Fort Richardson in Anchorage. The reader is referred to the aerial photograph at the beginning of this report to aid in visual orientation.

IMPROVEMENTS DESCRIPTION

Building Type

The employee housing complex consists of nine, modular prefabricated military-style dormitory buildings that are being purchased and moved from Fort Richardson to the subject site for use as an employee housing complex. The complex will be used to house summer and year-round employees. The improvements will consist of six Barrack style sleeping buildings and three Administration office dormitory buildings.

The Barrack style dwellings will consist of 6 rooms with capacity of 6 beds with 4 shared restrooms. The buildings measure (5) 76' x 27.4' or 2,082 SF with (1) 64' x 27.4', or 1,754 SF. Three buildings will have additional laundry space. Buildings with laundry will measure 96' x 27.4' or 2,555 SF. Barrack style buildings will have a combined gross building area (GBA) of 13,810 SF. The three Administration buildings will each have 8 rooms with total capacity for 16 beds with shared rooms, common area/living space, kitchens and restrooms. The Administration dormitory buildings will measure 64' x 47.3' or 3,027 SF. Total GBA of the Administration buildings will be 9,082 SF. The combined GBA of the complex will be 22,891 SF. The complex will have a total of 60 rooms with 84 beds available year round. The buildings were built in 2007 and had been used for 10 years. Quality and condition are reported to be average but structurally in good condition. The buildings will have an effective age of 0 years after interior/exterior renovations are completed.

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622. *It is an assumption of this report, that at minimum \$2,967,622 will be spent on real property construction as part of the “at completion/at stabilization” value.* Quality overall “at completion” will be rated as good. The developer reported that costs to complete will be \$1,200,000. The “at completion/at stabilization” value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026.

Building Size

As shown on following tables the total gross building area (GBA) area is estimated at 22,891 SF.

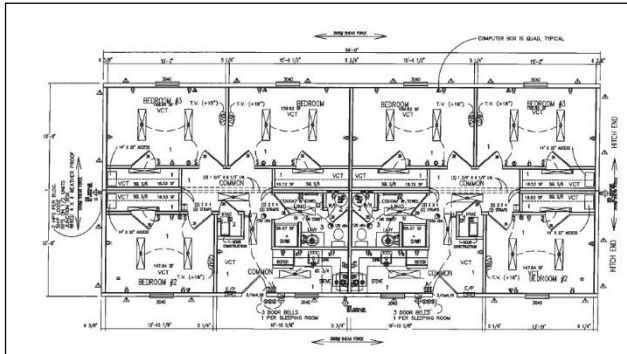
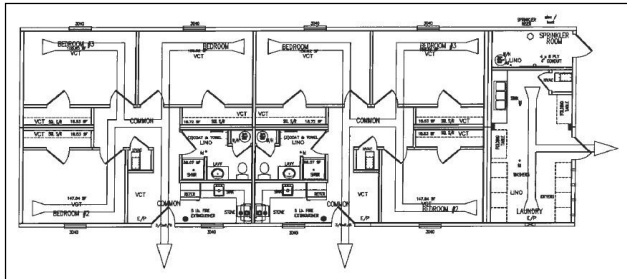
Estimated sizes for each unit type and the overall gross building area (GBA) are as follows.

BUILDING AREA

Units	GBA	Yr Built	Rooms	Beds
Barrack 1 w/ Laundry	2,630	2007	6	6
Barrack 2	1,754	2007	6	6
Barrack 3 w/ Laundry	2,630	2007	6	6
Barrack 4	2,082	2007	6	6
Barrack 5 w/ Laundry	2,630	2007	6	6
Barrack 6	2,082	2007	6	6
Barrack Total GBA	13,810		36	36
Admin Buildings	GBA	Yr Built	Rooms	Beds
Adm Building 2	3,027	2007	8	16
Adm Building 3	3,027	2007	8	16
Adm Building 4	3,027	2007	8	16
Adm Total GBA	9,082		24	48
Combined GBA	22,891		60	84

Each building has large common areas such as laundry, restrooms, Kitchens, living rooms and mechanical rooms.

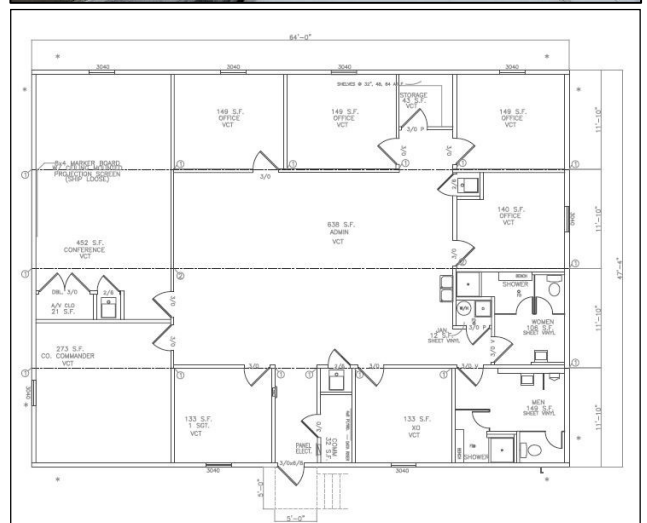


Buildings A – Barrack Buildings**Floor Diagram****Floor Diagram – With Laundry Units**

Barrack style housing units will be one-story, metal/wood frame structures. There will be five units, three with laundromats. Gross building area (GBA) varies from 1,754 SF to 2,630 SF.

Buildings are broken up into four units with three bedrooms and one shared bathroom per unit. Each unit includes a common area with living room/entertainment area, and small kitchen. Each building will have 6 bedrooms, four bathrooms with total guest capacity up to 6 guests. The building will have metal floor/frame with wood frame walls and metal siding exterior, a sloping roof also with metal roofing.

Heat will be provided by natural gas heaters and boilers. The building has metal frame windows. The ceilings are approximately 8' high. Floors will be finished with wood flooring and walls are sheetrock/wood paneling.

**Building B – Administration Buildings
Floor Diagram**

Administration style housing units will be one-story, metal/wood frame structures. There will be three units. Gross building area (GBA) of each building is 3,027 SF.

Buildings consists of eight offices, two conference rooms and two bathrooms with a common area in the center of the building. The eight office rooms will have two beds in each room and the conference rooms will have two beds in each room for a total of 16 beds per building. Each unit includes a common area with living room/entertainment area, and small kitchen. The building will have metal floor/frame with wood frame walls and metal siding exterior, a sloping roof also with metal roofing.

Heat will be provided by natural gas heaters and boilers. The building has metal frame windows. The ceilings are



approximately 8' high. Floors will be finished with wood flooring and walls are sheetrock/wood paneling.

Foundation

The buildings are designed for metal pilings foundations and the developers plan to get the pilings driven before winter and freeze up.

Exterior Finish

Exterior finishes consist of metal siding. Exterior windows are double-pane glass set in metal casements. The exterior doors are metal solid core. Interior doors are solid core wood.

Interior Finish

The reader is directed to the subject photographs at the end of this section for examples of the building's interior. The finish of the building generally consists of painted and textured gypsum wallboard on the walls and ceilings. The bedroom and living room areas are carpet tiles, and the kitchen, bathroom and storage areas have sheet vinyl flooring or laminate wood.

The kitchens feature wood cabinets, stainless steel sinks and laminate countertops. The bathrooms include three fixtures (sink, toilet and a tub or shower). The tubs and showers have ceramic tile surrounds. The bathroom sinks are white porcelain set in laminate countertops. Overall, the subject's appeal is typical for average quality apartments.

Mechanical Systems

Heat is provided via a gas hot water baseboard heating system. Hot water will be provided via a natural gas common boiler system located in the mechanical room for each building. The electrical service throughout the building is typical of an average quality apartment building. Lighting is comprised of both fluorescent and residential incandescent fixtures. In regards to plumbing, each bathroom consists of a three-fixture bathroom as well as a sink in the kitchen.

Appliances

Typical kitchen appliances include natural gas range/stove, microwave and a refrigerator. The appliances are typical of average cost apartments and generally meet today's standards.

Bathrooms

The bathrooms have sheet vinyl flooring. Countertops are plastic laminate with matching backsplash.

Fire Protection

The buildings will not be sprinklered, but there will be fire extinguishers and smoke detectors.

Site Improvements

In addition to the primary structures, the subject will have parking for each building. A well and septic will connect all buildings.

Building Condition

The subject will be good condition overall for a building of this vintage. Quality and condition range from unit to unit. Most of the units will be updated to some degree.

Furniture, Fixtures and Equipment (FF&E)

This appraisal report includes all furnishing, fixtures and equipment necessary to maintain ongoing operations. The developers provide a detailed breakdown of the FF&E, shown below.

Contingency Costs	5%	\$148,500	
Total Improvement Costs		\$3,118,500	\$136.23
Add: Developers Margin	5%	\$148,500	
Total development Costs		\$3,267,000	\$142.72

FF&E	Unit	Budget	Total Cost	\$/SF
Wall Lockers	75	\$495	\$37,125	\$1.62
Lamps	90	\$54	\$4,815	\$0.21
Mattresses	120	\$249	\$29,880	\$1.31
Dressers	90	\$229	\$20,610	\$0.90
Lighting/ Cameras	1	\$15,000	\$15,000	\$0.66
Nightstand	120	\$112	\$13,440	\$0.59
Locks	120	\$112	\$13,440	\$0.59
Bedding	150	\$79	\$11,850	\$0.52
Bunk Beds	30	\$395	\$11,850	\$0.52
Single Beds	60	\$195	\$11,700	\$0.51
Couches	8	\$989	\$7,912	\$0.35
Dining Tables	25	\$299	\$7,475	\$0.33
Trash Cans	80	\$22	\$1,756	\$0.08

The developer reported that they have spent \$188,334, rounded to \$190,000 on FF&E with an additional \$20,000 for Phase II and III, for a total FF&E of \$208,334, rounded to \$210,000. Most rooms have one or two beds, nightstands, a desk and chair, sitting chair, hanging wall mirror, blinds, bed linen, towels and hanging wall pictures. Overall, the inspection found the majority of the personal property to be in good condition.

The valuation of the FF&E is performed in the Cost Approach by estimating replacement cost and subtracting accrued depreciation. The owner provided FF&E estimates at \$208,334 for the 9 buildings. The FF&E will be new with an economic life of 20 years. Total replacement costs are \$210,000.

Effective Age and Remaining Economic Life

According to the developers, the subject units were built in approximately 2007. The actual age is approximately



15 years. The buildings were used for 10 years and have been vacant for the past five years. The buildings have proposed interior/exterior renovations. We estimate the effective age at 0 years. Buildings of this type and quality typically have economic lives of 45 years, according to Marshall & Swift Valuation Service. Economic life can be extended with timely maintenance, periodic upgrades and occasional replacement of building components. Overall, the subject's remaining economic life is at least 30 years with continued maintenance.

Americans with Disabilities (ADA) Requirements

A significant piece of legislation took effect in 1992 that requires barrier-free access in building design and construction. The ADA is a complex law that prohibits discrimination against disabled people in employment, public accommodations, public services and transportation.

It is our understanding that existing privately-owned apartment buildings are not governed by ADA regulations. Therefore, compliance with ADA is not an issue in this analysis. *It is an express assumption of this report that the subject is not negatively influenced by lack of ADA compliance, if applicable.*

Functional Utility and Suitability of Improvements

The subject improvements consist of nine, one-story, employee housing buildings. The complex will have a total of 60 rooms. The interior quality and condition range from unit to unit but will generally appear to be in good condition. In the Income Capitalization Approach, we have allocated a reserve expense for updating the units as needed. Overall, we find the improvements to be adequately suited to meet the typical demand in lodging/apartment market.



SUBJECT PHOTOS



Facing north along Sterling Highway
Subject at left



Facing north from Old Sterling Highway viewing the
western property boundary



Facing northwest along Sterling Highway
Subject at right



Facing south from Sterling Highway viewing western
property boundary



Facing southeast along Old Sterling Highway
Subject at right



Facing southeast from northwest corner viewing
northeast property boundary





Looking northeast from Old Sterling Highway viewing main entrance to complex



Looking at the north and east sides of Building Administration Buildings



Looking at the south and west side of buildings from Old Sterling Highway



Looking at the south and north sides of Building Administration/Barrack Buildings



Looking at the south and east side of buildings from Old Sterling Highway



Looking at the north and west sides of Building Barrack Buildings





Looking at north and east of buildings
Barrack Buildings



Looking west from Sterling Highway viewing excess
land



Looking at Septic Leach Field



Looking southeast from Old Sterling Highway viewing
excess land



Looking at Septic Leach Field



Looking north from Old Sterling/Sterling Highway
intersection viewing at excess land





Interior View
Barrack Buildings



Interior View
Administration Buildings



Interior View
Barrack Buildings



Interior View
Administration Buildings



Interior View
Barrack Buildings



Interior View
Administration Buildings



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 that results in the highest value. The four questions that 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 IF VACANT

In regard to the physically possible uses, the subject of this appraisal is the proposed Anchor 907 – Work Force Housing Complex located at 42706 Old Sterling Highway in Anchor Point. The site is located on the northwest corner of Old Sterling Highway and Sterling Highway, 7 miles northwest of Homer. The site is comprised of an irregular shaped parcel. The parcel has a total site area of 9.09 acres or 395,960 SF. The utilized site area is estimated at 205,296 SF, or 4.69 acres. The remaining 191,664 SF, or 4.40 acres is considered excess land. The lot has 1,526.56' of frontage along the Sterling Highway and 1,002.85' of frontage along the Old Sterling Highway. The property is level and at-grade with surrounding streets. The area fronting the Sterling Highway has a steep berm that is slightly above grade. Public utilities include electricity and telephone with natural gas. The site has a well and septic system. The only physical restriction would be the size of the potential development due to the topography.

Legal restrictions include zoning, city ordinances, deed restrictions, and environmental regulations. Of these restrictions, zoning regulations have the most influence on the subject's development potential. The subject is located in an area that is not subject to zoning codes. Overall, a wide array of commercial and residential uses would be legally possible for the subject.

Based on the most recent development patterns, potential financially feasible and maximally productive land uses are limited, as economic conditions do not generally support most rent-driven commercial construction. Recent construction has typically been the result of a lack of substitute properties in the existing inventory. We do note, however, that some smaller

commercial projects have been developed on vacant land already owned by the developers, and in these cases the developers were either willing to accept a very low return rate or have taken a very long-term view of their investment.

The highest and best use of the site, if vacant, would be a mixed-use commercial-oriented development, or else to hold vacant until speculative construction becomes feasible.

The excess land a similar highest and best use.

HIGHEST AND BEST USE AS PROPOSED

The employee housing complex consists of nine, modular prefabricated military-style dormitory buildings that are being purchased and moved from Fort Richardson to the subject site for use as an employee housing complex. The complex will be used to house summer and year-round employees. The improvements will consist of six Barrack style sleeping buildings and three Administration office dormitory buildings. The Barrack style dwellings will consist of 6 rooms with capacity of 6 beds with 4 shared restrooms. The buildings measure (5) 76' x 27.4' or 2,082 SF with (1) 64' x 27.4', or 1,754 SF. Three buildings will have additional laundry space. Buildings with laundry will measure 96' x 27.4' or 2,555 SF. Barrack style buildings will have a combined gross building area (GBA) of 13,810 SF. The three Administration buildings will each have 8 rooms with total capacity for 16 beds with shared rooms, common area/living space, kitchens and restrooms. The Administration dormitory buildings will measure 64' x 47.3' or 3,027 SF. Total GBA of the Administration buildings will be 9,082 SF. The combined GBA of the complex will be 22,891 SF. The complex will have a total of 60 rooms with 84 beds available year round. The buildings were built in 2007 and had been used for 10 years. Quality and condition are reported to be average but structurally in good condition. The buildings will have an effective age of 0 years after interior/exterior renovations are completed.

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622. *It is an assumption of this report, that at minimum \$2,967,622*



will be spent on real property construction as part of the “at completion/at stabilization” value. Quality overall “at completion” will be rated as good. The developer reported that costs to complete will be \$1,200,000. The “at completion/at stabilization” value is based on a 12-month construction period beginning on June 1, 2025, and the project being completed by June 1, 2026.

The subject design, layout and quality are functional. We identified no obvious deficiencies or super-adequacies.

One measure of highest and best use as improved is the contributory value of the improvements to the site. As developed in the land valuation portion of the Cost Approach, the subject site value (fee simple) is estimated at \$310,000. This figure is less than the market value “at completion.” Thus, we find that the proposed structures will contribute value to the land.

The general layout and design of the structures appear functional and the configuration will accommodate an employee housing operator. The property will be good construction quality. We identified no deficiencies in the improvements.

It should be noted that the project would not appear feasible for a normal developer. The developers are affectively buying the dwelling for shipping/transportation costs and this makes this project feasible for the developers. The value though the Income Approach shows this project is feasible for the developers as it will support a developers’ margin.

Because the design is functional, and condition will good, no significant renovation or rehabilitation is suggested at this time. We find the highest and best use, as improved, is to complete proposed employee housing development.

MOST PROBABLE BUYER

The most probable buyer would be an owner user/operator.

SUMMARY OF HIGHEST AND BEST USE

The highest and best use of the site, if vacant, would be a user-specific commercial/residential development, or else to remain vacant until speculative construction is economically feasible. The highest and best use of the property, as proposed, is to complete proposed employee housing development. The most probable buyer would be an owner-operator.



APPRAISAL PROCESS

There are three approaches utilized in the valuation of real property: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

Cost Approach

The Cost Approach is based on the "principle of substitution", which states that no rational person would pay more for a property than the amount for which he can obtain, by purchase of a site and construction of improvements, without undue delay, a property of equal desirability and utility.

Because new rent-driven construction is not a significant factor in this market, investors do not place much reliance on Cost Approach estimates. However, the proposed employee housing complex is a special use facility and we have developed the Cost Approach.

The Cost Approach is divided into three segments: land valuation, improvement cost new, and depreciation. Fee simple land value is determined using a sales comparison method. Replacement costs for the subject are based on a utilization of the Online Marshall & Swift Computer Cost Program (Core Logic Estimator). Depreciation is estimated via the effective age/life method. Equal weight is placed on the Cost Approach in the reconciliation process due to the external obsolescence in the marketplace.

Sales Comparison Approach

The Sales Comparison Approach is also based on the "principle of substitution", which indicates that an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data, which can be verified from authoritative sources.

The subject is located 7 miles northwest of Homer. The immediate area around Homer has seen limited sales of commercial or residential properties comparable to the subject. Thus, the Sales Comparison Approach has been omitted. This omission does not reduce the credibility or reliability of the appraisal.

Income Capitalization Approach

In the Income Capitalization Approach, concern is with the present value of any future benefits of property ownership. Future benefits are generally indicated by

the amount of net income the property will produce during its remaining useful life. We employed the direct capitalization method in this appraisal.

In this approach, a net operating income (NOI) is developed for the subject property comparing other nightly/monthly lodging properties to the subject's rates to determine appropriate monthly rack rate, occupancy and expense projections. The overall capitalization rate (Ro) are based on lodging/commercial sales and national hotel survey indicators. Generally, investors place primary reliance upon the Income Capitalization Approach as it is representative of the return requirements demanded from income producing properties such as the subject.



LAND SALE COMPARISONS

NO.	LOCATION/LEGAL DESCRIPTION/TAX ID #	DATE	ZONING	SIZE	SOILS/ UTILITIES	SALE PRICE	\$/SF	USE
1	40285 Sterling Highway Long legal 173-021-07	Active	UNZ	87,120 SF 2.00 Acres	Good All	\$139,000	<i>\$1.60</i>	Vacant
2	1742 Sterling Highway Lot 4, Bidarki Creek #5 175-250-17	Pending	UNZ	43,560 SF 1.00 Acres	Good All	\$125,000	<i>\$2.87</i>	Vacant
3	33175 Sterling Highway Lot 12, Granross Grove #1 165-510-05	Active 6/24	UNZ	61,420 SF 1.41 Acres	Good All	\$125,000 \$114,900	<i>\$2.04</i> <i>\$1.87</i>	Vacant
4	30720 Sterling Highway T 4S R 15W SEC 23 Seward Meridian HM 0650564 F C 165-620-20	1/25	UNZ	196,020 SF 4.50 Acres	Good All	\$55,000	<i>\$0.28</i>	Vacant
5	67175 Walter Thomas Road Lot 7, Block 1, Bluff Haven Estates 173-580-07	11/24	UNZ	84,506 SF 1.94 Acres	Good All	\$55,000	<i>\$0.65</i>	Vacant
6	33755 Sterling Highway Lots 11/12, Spruce Acres 165-170-04/05	10/23	UNZ	43,560 SF 1.00 Acres	Good All	\$99,000	<i>\$2.27</i>	Vacant
<u>SUBJECT PROPERTY</u>		9/22	UNZ	395,960 SF 9.09 Acres	Good All	\$239,500	\$0.60	Vacant

COST APPROACH

The foundation for the Cost Approach is based on the principle of substitution. The principle of substitution states that: “*when several similar or commensurate commodities, goods or services are available, the one with the lowest price will attract the greatest demand and widest distribution.*”⁶

A further explanation of this principle as it applies to the Cost Approach is that “*no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equal desirability and utility without undue delay.*”⁷

The analysis in the cost approach is divided into three segments: land valuation, improvement cost new, and depreciation. The conclusion of the Cost Approach involves a summation of these three analyses for the appraised property “as is”

LAND VALUATION

The value of the subject land is appraised as if the site were vacant and available for development to its highest and best use. The sales comparison method is the most reliable analysis when there are adequate recent sales and an active market. In this case, there are in fact adequate available land sales similar to the subject to properly apply the approach.

The most common unit of comparison used in this market is sales price per square foot (SP/SF), and this is the indicator we have employed in this report. We have utilized several road frontage land sales from the area surrounding Homer, as described on the facing exhibit. The subject is located seven miles northwest of Homer on the east side of the Sterling Highway.

In the following text, we analyze the comparisons in relation to the subject and conclude the value for the site “as if vacant.”

Discussion of Land Sales



Land Sale No. 1 is an active listing located at 40285 Sterling Highway at mile 166 of the Sterling Highway. The site contains 87,120 SF or 2.00 acres. This lot is a vacant residential lot with frontage along the Sterling Highway. This location has good access and exposure. The lot is listed for sale at \$139,000 or \$1.60/SF. The lot was listed for 297 days.



Land Sale No. 2 is a pending sale located at 1742 Sterling Highway north of Homer. The site contains

⁶ *The Appraisal of Real Estate, Eleventh Edition, The Appraisal Institute, Page 43*

⁷ *IBID, Page 336*



43,560 SF or 1.00 acres. This lot is a vacant roadside lot with direct frontage along the Sterling Highway. This location has good access and exposure. This property is pending sale for \$125,000 or \$2.87/SF. The lot was on the market for 244 days.



Land Sale No. 3 is a June 2024 sale of a property located at 33175 Sterling Highway (Mile 156.3 Sterling Highway) in Anchor Point. The site contains 61,420 SF or 1.41 acres. Soil conditions reportedly were good. The site was a vacant lot with natural gas, electricity, water and sewer and telephone. The lot sold at \$114,900 or \$1.87/SF. The lot was listed for sale at \$114,900 for 8 days. The lot is listed for sale for \$125,000, or \$2.04/SF for 29 days.



Land Sale No. 4 is a January 2025 sale located at 30720 Sterling Highway (Mile 153 Sterling Highway) in Anchor Point. The site contains 196,020 SF or 4.50 acres. This lot is a vacant lot with frontage along the Sterling Highway. This location has good access and exposure. The lot was sold on January 15, 2025 for \$55,000 or \$0.28/SF. The property was listed for \$64,500 for 140 days.



Land Sale No. 5 is located at 67175 Walter Thomas Road. The site contains 84,506 SF or 1.94 acres. This lot is located just west of Sterling Highway north of Homer. This location has average access and exposure. This property sold in March 2022 for \$45,000 or \$0.53/SF. The lot was on the market for 559 days.



Land Sale No. 6 is an October 2023 sale located at 33755 Sterling Highway (Mile 156.4 Sterling Highway) in Anchor Point. The site contains 43,560 SF or 1.00 acres. This lot is a vacant lot with frontage along the Sterling Highway. This location has good access and exposure. The sold on October 9, 2023, for \$99,000 or \$2.27/SF. The lot was listed at \$99,000 for 25 days.

Subject Sale

The subject lot sold on September 15, 2022 for \$239,500 or \$0.60/SF. The sale was a market transaction.



Anchor 907 - Work Force Housing Complex

Developer's Cost Estimate

Phase I

Item	Unit	Budget	Total Cost	\$/SF
Land Prep	1	\$255,000	\$255,000	\$11.14
Marketing	1	\$500	\$500	\$0.02
Perc Test	1	\$2,400	\$2,400	\$0.10
Well Costs	1	\$35,000	\$35,000	\$1.53
Sewer	1	\$80,000	\$80,000	\$3.49
Engineering	1	\$30,000	\$30,000	\$1.31
Moving Costs/Breakdown	9	\$60,000	\$540,000	\$23.59
Reefers	35	\$1,035	\$36,225	\$1.58
Assembly/Parts	9	\$10,000	\$90,000	\$3.93
Acq Costs	9	\$6,000	\$54,000	\$2.36
Landscaping	1	\$15,000	\$15,000	\$0.66
Floors	33,100	\$5.85	\$193,635	\$8.46
Electrical	1	\$85,000	\$85,000	\$3.71
Electrical Engineering	1	\$54,000	\$54,000	\$2.36
Gas	1	\$20,000	\$20,000	\$0.87
Phase I - Total			\$1,490,760	\$65.12

Phase II

Item			
Electrical		\$14,000	\$0.61
Replace interior lighting		\$7,000	\$0.31
Furniture		\$5,000	\$0.22
Interior Rehab		\$65,000	\$2.84
Floors		\$37,549	\$1.64
Roof Repair		\$7,500	\$0.33
Steps		\$24,000	\$1.05
Skirting		\$34,500	\$1.51
Engineering/Surveys		\$10,000	\$0.44
Internet		\$3,000	\$0.13
Water Delivery		\$1,500	\$0.07
Water Tank Building		\$34,500	\$1.51
Water Tank Roof		\$10,000	\$0.44
Water System		\$60,000	\$2.62
Demo all existing fixtures damaged from freezing		\$29,623	\$1.29
Replace all water piping and connect to water main.		\$52,500	\$2.29
Replace all waste piping		\$58,163	\$2.54
Install 12 new hot water tanks with concentric vents		\$24,000	\$1.05
Trim, install all new toilets, faucets, angle stops, shower trim etc		\$20,103	\$0.88
Install all piping and pumps with a fill line to each water tank.		\$59,896	\$2.62
Install 48 heaters		\$28,400	\$1.24
Install heaters under each unit and vent		\$6,000	\$0.26
Snow Removal		\$11,500	\$0.50
Interest Reserve		\$137,328	\$6.00
Project Management		\$60,000	\$2.62
Supplies and Overhead Reimbursement		\$19,100	\$0.83
Well Drilling		\$35,000	\$1.53

Phase II - Total	\$855,162	\$37.36
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PHASE III

Reassembly/Anchor/Phase 2	\$175,000	\$7.64
Land Prep	\$25,000	\$1.09
Security systems	\$9,200	\$0.40
Inch and a half chip gravel	\$5,000	\$0.22
Driveway	\$20,000	\$0.87
Locks	\$5,000	\$0.22
Roof Repair	\$5,500	\$0.24
Engineering Fees	\$8,000	\$0.35
Electrical	\$20,000	\$0.87
Furniture	\$10,000	\$0.44
Interior Lighting	\$5,000	\$0.22
Interior Rehab	\$60,000	\$2.62
Flooring	\$31,000	\$1.35
Steps	\$36,000	\$1.57
Skirting	\$30,000	\$1.31
Demo all existing fixtures damaged from freezing	\$15,000	\$0.66
Replace all water piping and connect to water main.	\$30,000	\$1.31
Replace all waste piping that is damaged from freezing		
and connect to existing sewer	\$30,000	\$1.31
Install 3 new hot water tanks with concentric vents	\$3,000	\$0.13
Trim, install all new toilets, faucets, angle stops,		
shower trim etc	\$5,000	\$0.22
Install all piping with a fill line to each water tank.	\$30,000	\$1.31
dig and install all underground and unit gas piping,		
regulators, and flexes	\$0	\$0.00
Install 36 heaters	\$36,000	\$1.57
Install heaters under each unit and vent, plus one unit		
heater in the water tank building	\$3,000	\$0.13
Laundry Room/Machines	\$25,000	\$1.09
Phase III - Total	\$621,700	\$27.16
Total Development Costs	\$2,967,622	\$129.64
ROUNDED	\$2,970,000	\$129.74

Contingency Costs	5%	\$148,500	
Total Improvement Costs		\$3,118,500	\$136.23
Add: Developers Margin	5%	\$148,500	
Total development Costs		\$3,267,000	\$142.72

FF&E	Unit	Budget	Total Cost	\$/SF
Wall Lockers	75	\$495	\$37,125	\$1.62
Lamps	90	\$54	\$4,815	\$0.21
Mattresses	120	\$249	\$29,880	\$1.31
Dressers	90	\$229	\$20,610	\$0.90
Lighting/Cameras	1	\$15,000	\$15,000	\$0.66
Nightstand	120	\$112	\$13,440	\$0.59
Locks	120	\$112	\$13,440	\$0.59
Bedding	150	\$79	\$11,850	\$0.52
Bunk Beds	30	\$395	\$11,850	\$0.52
Single Beds	60	\$195	\$11,700	\$0.51
Couches	8	\$989	\$7,912	\$0.35
Dining Tables	25	\$299	\$7,475	\$0.33
Trash Cans	80	\$22	\$1,756	\$0.08
Microwaves	5	\$149	\$745	\$0.03
Micro Table	8	\$49	\$392	\$0.02
Trash Cans	15	\$23	\$344	\$0.02
FF&E Total			\$188,334	\$8.23

FF&E Phase II/III		\$25,000	\$1.09
FF&E Total		\$213,334	\$9.32
ROUNDED		\$210,000	

Add: Land Acquisition Costs		\$239,500	
Total Replacement Costs New		\$3,719,834	\$162.50
Rounded		\$3,720,000	\$162.51
Costs to Complete		\$1,200,000	
		\$2,520,000	\$110.09

Comparative Analysis and Value Conclusion

All of the land sales were fee simple transactions. No adjustments for property rights are indicated. Financing terms for the sales were cash or at-market terms. All of the sales occurred within approximately the last 3 years. The sales have similar highest and best use. The vacant commercial land market has increased slightly flat over the past several years and we recognize this factor in our analysis of the older sales. No nonphysical adjustments are necessary.

All sale properties had all utilities available – no adjustments are necessary. Other physical adjustments considered are for location, size, exposure, and access. Due to the difficulty of determining appropriate quantitative factors with the limited available sales data, these physical adjustments are applied through a qualitative array analysis.

In developing an estimate of value, we considered the above discussions and ranked the sales in the following table relative to the subject property.

Comparative Analysis		
Comparable	SP/SF	Comparability
No. 2	\$2.87	Superior
No. 6	\$2.27	Superior
No. 3	\$1.87-\$2.04	Superior
No. 1	\$1.60	Superior
Subject	---	---
No. 5	\$0.65	Similar
Subject Sale	\$0.60	---
No. 4	\$0.28	Inferior

As shown, the sale comparisons form a SP/SF range of \$0.28/SF to \$2.87/SF. The sales indicate that fee simple market value for the subject site is above No. 4 (\$0.28/SF), below No. 1 at \$1.60/SF and in line with Sale No. 5 at \$0.65/SF. The pending sale of the subject appears to be slightly below current market value but is given weight.

During the scope of our analysis, we discussed the subject with brokers, assessors and investors knowledgeable in this market. Based on these discussions and a review of the sale comparables, we estimate fee simple market value for the subject site at \$0.75/SF. We allocate utilized land value at \$1.00/SF and excess land value at \$0.60/SF. As calculated in the following table, this conclusion indicates a value for the vacant site of \$310,000

Fee Simple Value Conclusion

Size	SP/SF	Indicated Value
Utilized - 204,296 SF	\$1.00	\$204,296
Excess - 191,664 SF	\$0.60	\$114,998

We reconcile fee simple land value for the subject site (as if vacant) at a slightly rounded \$200,000 for the utilized area and \$110,000 for the surplus land. Total Land value is estimated at \$310,000.

REPLACEMENT COST NEW

Developers Costs

The owners provided original development costs for Phase I-III at \$3,719,834, rounded to \$3,720,000, or \$162.51/SF, which includes land acquisition costs (\$239,500) and FF&E (\$213,334). The project did not include contingency or developer's margin, and we have estimated contingency costs at 5% or \$171,023 and developers margin of 5% or \$171,023. Improvement only costs are \$2,967,622, or \$129.74/SF. *It is an assumption of this report, that at minimum \$2,967,622 will be spent on real property construction as part of the "at completion / at stabilization" value.* Quality overall "at completion" will be rated as good. The "at completion/at stabilization" value is based on a two-month construction period beginning on June 1, 2025, and the project being completed by August 1, 2025.

CoreLogic Cost Estimate

We use the CoreLogic SwiftEstimator to calculate replacement cost for the structure. The CoreLogic program is updated periodically for changes in construction costs. The update we use is April 2025. The data is also adjusted, through Zip Code indexing, for cost variations in different regions of the country.

The Core Logic estimate is for a building of like utility, quality, and construction type, and is not necessarily a reproduction or an identical copy. The estimate includes most of the project costs, including architect and engineer's fees. These costs, in turn, include plans, plan check and building permits, and a site survey to establish building lines and grades. Also included is normal interest on only the actual building funds during the period of construction. Contractor's overhead and profit are also included in the cost estimate. Developer's margin will be addressed further in this section.

The type of building use or occupancy, construction materials, perimeter and story height are entered into the Marshall program. We evaluated the subject's buildings under manufacturing home. The various physical attributes described throughout this appraisal.



Depreciated Costs Analysis

Buildings	Building SF	Cost per Unit	Replacement Cost	Entrepreneurial Incentive @ 15%	Replacement Cost New	Yr Built	Actual Age	Effective Age	Economic Life	Remaining Economic Life	% Depreciated	Less: Physical Depreciation	Total Depreciation	Depreciated Cost
Barrack 1 w/ Laundry	2,630	\$150.00	\$394,560	\$59,184	\$453,744	2007	15	15	45	30	33%	\$151,248	\$151,248	\$302,496
Barrack 2	1,754	\$150.00	\$263,040	\$39,456	\$302,496	2007	15	15	45	30	33%	\$100,832	\$100,832	\$201,664
Barrack 3 w/ Laundry	2,630	\$150.00	\$394,560	\$59,184	\$453,744	2007	15	15	45	30	33%	\$151,248	\$151,248	\$302,496
Barrack 4	2,082	\$150.00	\$312,360	\$46,854	\$359,214	2007	15	15	45	30	33%	\$119,738	\$119,738	\$239,476
Barrack 5 w/ Laundry	2,630	\$150.00	\$394,560	\$59,184	\$453,744	2007	15	15	45	30	33%	\$151,248	\$151,248	\$302,496
Barrack 6	2,082	\$150.00	\$312,360	\$46,854	\$359,214	2007	15	15	45	30	33%	\$119,738	\$119,738	\$239,476
Adm Building 2	3,027	\$150.00	\$454,080	\$68,112	\$522,192	2007	15	15	45	30	33%	\$174,064	\$174,064	\$348,128
Adm Building 3	3,027	\$150.00	\$454,080	\$68,112	\$522,192	2007	15	15	45	30	33%	\$174,064	\$174,064	\$348,128
Adm Building 4	3,027	\$150.00	\$454,080	\$68,112	\$522,192	2007	15	15	45	30	33%	\$174,064	\$174,064	\$348,128
Total	22,891	-	3,433,680	\$15,052	3,948,732	-	-	-	-	-	33%	\$1,316,244	\$1,316,244	\$2,632,488
Site Improvements (Water System/Septic System)	-	-	\$600,000	\$0	\$600,000	Various	0	0	20	20	0%	\$0	\$0	\$600,000
Total	-	-	\$4,033,680	\$515,052	\$4,548,732	-	-	-	-	-	29%	\$1,316,244	\$1,316,244	\$3,232,488
FF&E	-	-	-	-	\$210,000	Various	0	0	20	20	0%	\$0	\$0	\$210,000
Replacement Cost New	-	-	-	-	\$4,758,732	-	-	-	-	-	-	\$1,316,244	\$1,316,244	\$3,442,488
Add: Land Value														\$310,000
Total Cost "at completion"														\$3,752,488
Rounded														\$3,750,000

151 Manufactured Housing, Multi-Section

Manufactured homes with multiple sections are residential structures built on steel undercarriages with necessary wheel assemblies to be transported to permanent or semi-permanent sites. The wheel assembly can be removed when a unit is placed on a permanent foundation, but the steel undercarriage may remain intact if it is a necessary structural component. In some instances, the presence of a steel undercarriage as a necessary structural component is the primary distinguishing factor between a higher-quality manufactured home and a modular house.

It should be noted that to build this project with normal residential framing it would range from a reported \$250-350/SF by the developers for a residential contractor in Homer. Small cabin/VRBO construction projects in the immediate area are being built for \$100-\$120/SF for trailer type structures and around \$150-\$175/SF in Anchor Point for stand-alone 1-2-bedroom homes on pilings. Used manufactured housing units were found online at \$15,000 or \$37.5/SF for a single wide (10' x 40") unit. This does not include shipping/transportation costs.

In addition, there are numerous developments around the state of Alaska that are considered "Man Camp" that consists of developments of prefabricated dormitory units that could be transported and used for employee housing at significant cost savings over building new.

Therefore, we estimate costs at an average of \$150/SF for each unit or \$3,433,680 for new manufactured housing units.

We have also included \$600,000 site improvements including parking area, well/septic system.

Overall, we estimate the replacement cost new for the subject "as is" at \$4,033,680 or \$176.21/SF.

Reconciliation

The developer's costs with contingency are estimated at \$3,118,500, or 136.23/SF. The cost estimator is \$4,033,680 or \$176.21/SF. There is a big discrepancy between developers' costs and cost estimator. The developers obtaining the improvements at shipping/transportation levels, which reflects the lower cost estimate.

Market construction costs are at all-time highs with record inflation and supply chain issues. For analysis purposes, we use the developer's cost estimates at \$3,118,500, or 136.23/SF.

Entrepreneurial profit (Developer's Margin)

Entrepreneurial profit or developer's gross margin is defined as a "market-derived figure that represents the amount

an entrepreneur expects to receive for his or her contribution to a project; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. In the Cost Approach, expected profit is reflected as entrepreneurial profit."

Based on our interviews with developers active in the local market, targeted entrepreneurial profits for a property similar to the subject are within a range of 10% to 15% of the total gross investment. Depending on the risks, entrepreneurial profit can be even higher.

We add a 5% developer's margin or \$148,500. The replacement cost new of the improvements is \$3,267,000 or \$142.72/SF.

DEPRECIATION

Depreciation is the difference between the replacement or reproduction cost for a new building and its market value. Causes of depreciation are physical deterioration, functional obsolescence and external (or extraordinary economic) obsolescence.

In the Improvement Description and Analysis chapter, we indicated the subject units were built in 2007. Therefore, the actual ages range is 15 years, however the buildings were only used for 10 years. The units will be brought to new construction quality with full interior and exterior renovations. We estimate effective ages for the buildings "at completion" similar to new construction or 0 years. Therefore, the buildings will not suffer from physical deterioration. In addition, the subject units are built to military specifications and will meet the needs of the local employee housing requirements. Therefore, there is no functional obsolescence. Note, based on our analysis there is some economic obsolescence effecting the subject.

Furniture, Fixtures and Equipment (FF&E)

This appraisal report includes all furnishing, fixtures and equipment necessary to maintain ongoing employee housing operations. This equipment includes room furniture and window treatments, Kitchen appliances, lounge equipment and furnishings, laundry facilities, and office and administrative equipment. It was reported that the FF&E will be of good quality.

The estimated replacement costs earlier in the report for the subject's FF&E "at completion" is \$213,334, rounded to \$210,000.



Cost Conclusion "At Completion"	
Replacement Cost New	\$3,118,500
Add: Ent. Profit Real Estate	(\$148,500)
Depreciated Costs	\$3,267,000
Less: Depreciation Real Estate	(\$0)
Depreciated Costs	\$3,267,000
Plus FF&F	\$210,000
Total Depreciated Costs	\$3,477,000
Plus: Land Value	\$240,000
Total	\$3,719,834

We round the total cost to \$3,720,000. We deduct costs to complete of \$1,200,000 to arrive at the "as is" market value of \$2,520,000.

SUMMARY

To the replacement cost estimate for the improvements, we add land value as developed earlier in chapter to estimate the "as is" cost estimate.

Indicated Value by the Cost Approach:

"At Completion"

\$3,720,000

"As Is"

\$2,520,000

Land Value: Fee Simple

\$310,000



SALES COMPARISON APPROACH

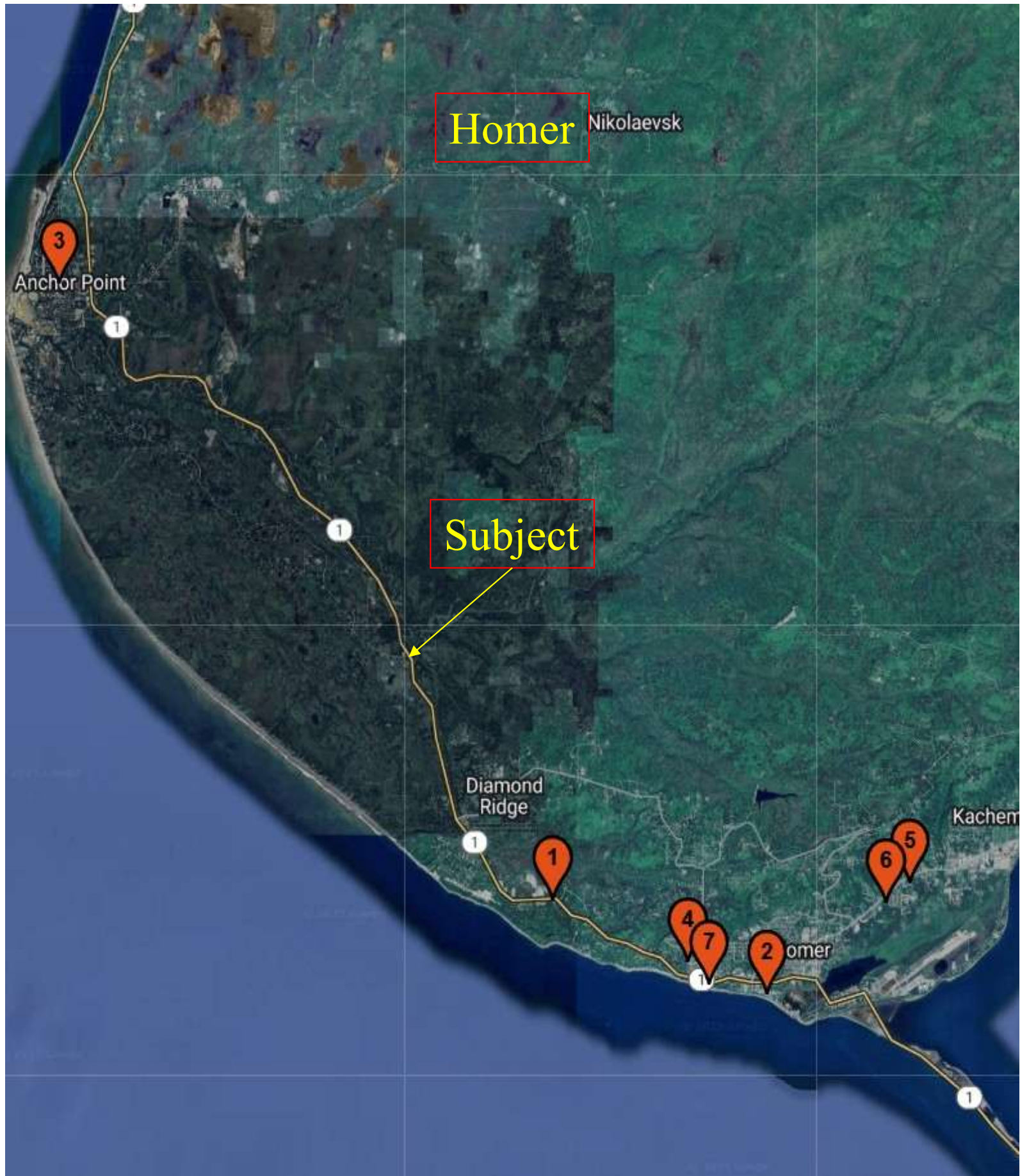
Ihis analysis is most effective when there is an adequate supply of comparable property sales. Homer is a small community and there has been limited sale activity in the commercial market. the Sales Comparison Approach has been omitted. This omission does not reduce the credibility or reliability of the appraisal.

The Income Capitalization Approach section of this report requires the application of a market-derived capitalization rate. For evidence of market yield requirements, we have presented lodging sales from Homer. Information on these sales are included in the next chapter.

**Indicated Value by the Sales Approach:
Not Developed**



Rent Comparison Map



RENT COMPARISON SUMMARY

No.	Name/Location	Operating Season	Cabins	Type		Rates	Occupancy
1	Alaska Suites - Homer 3255 Sterling Highway	Year Round	5	Cabins	Winter Summer Monthly	\$173-\$337 \$421-\$536 \$1,233	N/A
2	Driftwood Inn RV Park 3369 Main Street	Summer/Winter	3	Cabins/RV	Summer Winter	\$139-\$203 \$850/Month	85%
3	Fireweed Meadows Rental Cabins 72811 Milo Fritz Avenue	Year Round	4	Cabins	Summer Winter Monthly	\$159-\$299 \$99 \$891/Month	65%-80
4	West Hill Cabins 3771 West Hill Road	Year Round	6	Cabins	Yearly	\$1,000-\$2000 Per Month	100%
5	East End Road 18-Plex - Homer 2161 East End Road	Year Round	18	Apartment	Yearly	\$1,439	100%
6	Shannon Lane 7-Plex - Homer 2080 Shannon Lane	Year Round	7	Cabins	Yearly	\$1,400	100%
6	Proposed Waterfront Residential Complex 955 Sterling Highway	Year Round	25	Cabins	Yearly	\$1,779	100%
<u>SUBJECT PROPERTY</u>		Year Round Summer Only	6 3	Emp. Housing Emp. Housing	Monthly Monthly	\$1,600/Month \$950/Month	Est. 75% Est. 85%

INCOME CAPITALIZATION APPROACH

Anticipation of future benefits is the economic premise of the Income Capitalization Approach. Value can be measured by estimating the present worth of all rights to these future benefits (income and reversion). Converting future benefits into a value conclusion requires a capitalization process. In this analysis, we utilize the direct capitalization method to convert "at completion" property income into a value estimate.

To accomplish the analysis, we completed a study of factors for the basis for our monthly rates and occupancy projections. In this approach, we discuss some of the subject's direct competitors in regard to "rack" rates and occupancy performances. The occupancy information is presented in ranges due the confidential nature of this information.

After we apply monthly bed rates for both housing types and occupancy projections for the subject, we arrive at an estimate of gross effective room revenue. For our expense projections, we follow typical lodging accounting for profit, operating expenses and finally reserves. The income projection is capitalized (using a market capitalization rate – R_o) and a market value conclusion is reconciled.

It should be noted, there is no historical information and the business plan is not fully set as to how they will be running the housing complex. The projections are on the prudent side.

RENT COMPARISONS

On the facing page is the rate data pertaining to three nightly cabin and lodging operators in the surrounding area.

A location map of the comparisons is included on the preceding page. In the following paragraphs, we discuss each comparison as it pertains to the subject regarding rates. Due to the confidentiality of this information, some of the presented occupancy rates within ranges and some operators would not disclose their occupancy rates. Discussions of comparisons are as follows:

Alaska Suites - Homer



Rent Comparable No. 1 is the Alaska Suites located at 3255 Sterling Highway in Homer. The property has five cabins that operate year-round. Rates for the year range from \$173/night to \$536/night. Occupancy rates were not reported. Rates have remained flat. We take the nightly rate of \$95/night for off season/winter rates and multiply by 30 days to estimate total monthly revenue (\$173/night x 30 days = \$4,110/month). This is then multiplied by a 30% occupancy rate, typical for winter months in order to estimate monthly revenue. (\$4,110 x .3 = \$1,233). We estimate monthly rate at \$1,233.

Driftwood Inn RV Park - Homer



Rental Comparable No. 2 is the Driftwood Inn RV Park located at 3369 Main Street. The RV Park consists two cabins. The average daily rate for cabins is \$130-\$169/day. The owner offers monthly rentals for \$850 in the winter. Occupancies rates were not reported. Rates have remained flat.



Fireweed Meadows Rental Cabins – Anchor Point

Rental Comparable No. 3 is the Fireweed Meadows Rental Cabins located at 72811 Milo Fritz Avenue in Anchor Point. The property consists of four rental cabins. The daily rack rate for cabins is \$159-\$179/day in the summer and \$99/day in the winter. Occupancies rates were reported per cabin and ranged from 35-55%. Rates have remained flat. We take the nightly rate of \$99/night for off season/winter rates and multiply by 30 days to estimate total monthly revenue (\$99/night x 30 days = \$2,970/month). This is then multiplied by a 30% occupancy rate, typical for winter months in order to estimate monthly revenue. (\$2,970 x .3 = \$891). We estimate monthly rate at \$891.

West Hill Cabins – Homer

Rental Comparable No. 4 is the West Hill Cabins located at 3771 West Hill in Homer. The property consists of Five efficiency cabins and a two-bedroom manager's unit. Efficiency units are rented at \$800/month and two-bedroom unit at \$2,000/month. All units are rented for 12-month terms. Occupancies rates were near 100%. Rates have remained flat.

East end Road 18-Plex - Homer

Rent Comparable No. 5 is an 18-plex located at 2161 East End Road in Homer. The property consists of (18) two-bedroom/one-bathroom units. The units are rented at \$1,439/month with the tenants responsible for heat and electricity. The facility is 100% occupied. Rates have remained flat.

Shannon Lane 7-Plex - Homer

Rent Comparable No. 6 is a 7-plex located at 2080 Shannon Lane in Homer. The property consists of (7) two-bedroom/one-bathroom units. The units are rented at \$1,439/month with the tenants responsible for heat and electricity. The facility is 100% occupied. Rates have remained flat.



Revenue Projection

Type	Beds Available	Operating Period (Months)	Monthly Rate	Total Revenue	Occupancy	Annual Room Revenue
Barrack 1 w/ Laundry	6	12	\$1,500	\$108,000	65%	\$70,200
Barrack 2	6	12	\$1,500	\$108,000	65%	\$70,200
Barrack 3 w/ Laundry	6	12	\$1,500	\$108,000	65%	\$70,200
Barrack 4	6	12	\$1,500	\$108,000	65%	\$70,200
Barrack 5 w/ Laundry	6	12	\$1,500	\$108,000	65%	\$70,200
Barrack 6	6	12	\$1,500	\$108,000	65%	\$70,200
Adm Building 2	8	12	\$900	\$86,400	75%	\$64,800
Adm Building 3	8	12	\$900	\$86,400	75%	\$64,800
Adm Building 4	8	12	\$900	\$86,400	75%	\$64,800
Total	60	108		\$907,200	68%	\$615,600

Proposed Waterfront Residential Complex - Homer

Rent Comparable No. 7 is a proposed 25-unit employee housing complex called the Waterfront Residential Complex located at 955 Sterling Highway. The complex is being built as employee housing for the City of Homer/Kenai Peninsula Borough run hospital. The units will consist of one-story, wood frame cabins with covered decks. The unit mix will be (10) one-bedroom/one-bathroom units, (11) two-bedroom/one-bathroom units and (4) three bedroom/two-bathroom units. The gross building areas for the residential unit will be 576 SF, 768 SF, 1,368 SF with a total livable area of 19,680 SF. The property will have additional support buildings including four storage buildings (eight units) and a small maintenance building. The storage and maintenance building will have a GBA of 768 SF and 576 SF, respectively for a combined GBA for the complex of 21,024 SF. The entire complex is to be leased for a ten-year period based on unit prices of \$1,779/month, \$2,159/month, and \$2,632/month for the 1-3 bedroom units. The facility will be 100% occupied. Upon completion.

SUBJECT'S RACK RATES

The proposed monthly room rates and occupancy rates for 2025 were provided by the developers. The reported monthly rates are as follows.

- Barrack Housing Units - \$1600.00 per month for year-round operations.
- Administration Housing Units - \$950.00 per month
- The developers presented a previous VRBO report that indicated occupancies near 83%.

It should be noted that the developers have not fully decided how they will be renting the rooms. There's been discussions about a mix of year-round, 6 month and 4-month terms for the Barrack style units.

RACK RATE PROJECTION

The comparison monthly rates ranging from \$850/month to \$1,779/month for the one-bedroom units. Rental comparison No. 1 does not rent by the month. Based on previous discussions, we array the relative to the subject in the following table.

Rent Comparative Analysis

Comparable	Rate	Comparability
7 – Proposed Residential Complex	\$1,779	Superior to All
Subject – Barrack	\$1,600	- - -
5 – East End 18 Plex	\$1,439	Inf. to Barrack/ Sup. to Adm
6 – Shannon Lane	\$1,400	Inf. to Barrack/ Sup. to Adm
1 – Alaska Suites	\$1,233	Inf. to Barrack/ Sup. to Adm
4 – West Hill Cabins	\$1,000	Inf. to Barrack/ Sup. to Adm
Subject - Admin	\$950	- - -
3 – Fireweed Meadows	\$891	Inf. to Barrack/ Sim. to Adm
2 – Driftwood Inn RV Park	\$850	Inf. to All

The subject's barrack style rooms are expected to be below No. 7 at \$1,779/month and above No. 5 at \$1,439/month. Rent No. 5 is the most similar. The subject proposed monthly rent of \$1,600/month appears to be near market levels. It should be noted that the developers have also proposed renting the units on shorter terms with higher monthly rates. In this case the occupancy rates would expect to decrease and the overall revenue would be similar.

In terms of the Administration Building, we could not find any rent comparisons for shared, bunk style living quarters. The listed rate of \$950/month appears reasonable as most rooms have only 2 beds per room.

The HUD fair market rent for the Kenai Peninsula Borough show a rental rate for efficiency units for 2025 at \$943/month and one-bedroom units at \$949/month. This is down from 2024 rates of \$984/month and \$990/month. The current proposed rents appear to be at market levels.

We project market rates slightly below the developer's projections to be cautious at \$1,500 for Barrack Building and \$900/month for Administration Building. These



PKF Revenue Expense Ratios

Limited Service Hotels (ADR's Over \$115)

	\$/POR	% of Rev
ADR	\$146.58	---
Occupancy	76.2%	---
Average # of rooms	113	---
<u>Revenue</u>		
Rooms	\$146.58	97.1%
Other	\$4.41	2.9%
Total Revenue	\$150.99	100.0%
<u>Departmental Expenses</u>		
Rooms	\$32.92	22.5%
Other	\$2.12	73.4%
Total Departmental Exp.	\$35.04	23.2%
<u>Undistributed Expenses</u>		
Administration/General	\$12.93	8.6%
Marketing	\$18.12	12.0%
Franchise Fees	Incl. Above	Incl. Above
Repairs/Maintenance	\$6.12	4.1%
Utilities	\$6.08	4.0%
Management Fee	\$5.07	3.4%
Total Undistributed Exp.	\$48.32	32.0%
<u>Fixed Expenses</u>		
Insurance	\$1.27	0.8%
Real Estate Taxes	\$6.57	4.4%
Total Fixed Expense	\$7.84	5.2%
Total Expense (% of Total Rev.)	\$91.20	60.4%
Net Operating Income	\$59.79	39.6%

Expense Ratio with a 4% Reserve

64.4%

rates are based on per room. It should be noted that there could be 1-2 beds per room based on need.

OCCUPANCY PROJECTION

Rack rates and occupancy are a function of one another. For example, a lodge can easily increase occupancy by dropping rates, however this obviously has a negative effect on revenue. As mentioned, the individual lodging operator's job to determine the best combination to maximize profit.

The comparison occupancy rates range from 35% to 100%. Occupancy rates vary from operator to operator. The subject will have an average location and will be almost new construction. The property is a dormitory style complex with shared rooms and restrooms. Other motels and lodging businesses around the state of Alaska have seen all time figures as the tourism market is very strong. Typical occupancy numbers range from 70-100% in the peak months and 30-70% in the winter months for nightly rentals. Monthly cabin rentals have been reported to be above 75% year-round.

We project an occupancy rate for the Barrack Style at 65% annually and 75% for the administration building. Occupancy rates are based on per room not total beds.

TOTAL REVENUE

Total revenue is projected at \$615,600. The revenue projection is presented on the facing page.

EXPENSE PROJECTIONS

The expense forecast is based on expenses from other properties as well as the developers' expenses that were provided.

We estimate expenses based on typical hotel/lodging accounting, expenses are divided into three expense categories: departmental, undistributed, and fixed. Our expense projections will follow this same format except for no departmental expenses. Most undistributed expenses are based on a percentage of total revenues. Some expenses such as utilities, insurance and taxes are typical dollar amount projections. In order to project expenses, we use a wide array of sources as discussed next.

On the facing page, is an exhibit entitled PKF Revenue and Expense Ratios for Limited-Service hotels. This information is based on information from "Trends in the Hotel Industry". This is a statistical review of operating data compiled by PKF of over 1,000

accommodation establishments, and is referred to as PKF throughout this section. Also, on a following page is an exhibit shows seven columns of figures for expense comparisons in Alaska. The identifications of these properties are not given due to the confidentiality of this information.

Additionally, our projections are based on local sources, confidential information from our files and discussions with market participants.

Departmental Expenses

Room expenses are a function of occupancy, primarily driven by labor. This includes salaries and benefits for the shuttle service/driver. It was mentioned that a shuttle service was a possibility. This service would be required as most renters would not have their own vehicles and the area does not have public bus service of any kind. It also includes guestroom supplies. Room expenses are analyzed as a percentage of costs attributed to room revenue. As shown the PKF ratios are between 23.2% and 24.1% of room revenue. The eight local expense comparisons show a slightly higher range of 23.0% to 35.4% (excluding No. 2).

We project room expenses at **10%** or \$61,560.

UNDISTRIBUTED EXPENSES

Undistributed operating expenses include expense items related to the administration and maintenance of the entire property, rather than any specific department. Included in this category are administrative and general, marketing expenses, property maintenance, utilities and a management fee. These expenses are somewhat tied to income as the higher the occupancy, the more wear and tear, and the higher maintenance, for example. Note the majority of the undistributed expenses are based on a percent of gross revenue.

Administrative/General Expenses: This category includes the payroll and benefits of all personnel involved with the day-to-day management and human resources. Also, included in this category are office expenses, accounting and legal expenses. Administrative/general expense ratios from the PKF surveys are 8.0% and 9.7%. The local expense comparisons range from 5.5% to 10.2%. We project administrative/general expenses at **5.0%** of total revenue.

Marketing Fees: This category includes advertising, staff payrolls, signs, sales supplies, dues and subscriptions.



OPERATING REVENUE & EXPENSE COMPARISONS - Undisclosed Alaska Properties)

	Expense Comp. 1		Expense Comp. 2		Expense Comp. 3		Expense Comp. 4		Expense Comp. 5		Expense Comp. 6		Expense Comp. 7	
	% Rev.	POR	% Rev.	POR	% Rev.	POR	% Rev.	POR	% Rev.	POR	% Rev.	POR	% Rev.	POR
<u>Revenue</u>														
Rooms	83.1%	\$145.24	99.0%	---	91.3%	\$147.32	98.9%	\$149.82	97.8%	\$136.90	96.9%	\$135.52	54.6%	\$113.54
Food & Beverage	16.1%	\$28.12	---	---	7.2%	\$11.61	---	---	---	---	0.5%	\$0.75	44.3%	\$92.19
Phone/Other	0.8%	\$1.48	1.0%	---	1.5%	\$2.48	1.1%	\$1.66	2.2%	\$3.11	2.6%	\$3.58	1.1%	\$2.03
Total Revenue	100.0%	\$174.84	100.0%	---	100.0%	\$161.42	100.0%	\$151.48	100.0%	\$140.01	100.0%	\$139.85	100.0%	\$208.02
<u>Departmental Expenses</u>														
Rooms	24.1%	\$35.03	36.0%	---	29.1%	\$42.89	24.1%	\$32.69	34.7%	\$47.46	29.7%	\$40.26	26.4%	\$29.99
Food & Beverage	82.6%	\$23.24	---	---	100.7%	\$11.69	---	---	---	---	68.0%	\$0.51	67.0%	\$61.76
Phone/Other	67.2%	\$0.99	---	---	57.1%	\$1.42	57.4%	\$1.73	50.6%	\$1.58	60.6%	\$2.17	93.9%	\$2.16
Total Departmental Exp.	33.9%	\$59.26	36.0%	---	36.6%	\$56.00	24.4%	\$34.41	35.0%	\$49.03	30.7%	\$42.94	45.1%	\$93.91
<u>Undistributed Expenses</u>														
Administration/General	6.7%	\$11.76	4.9%	---	7.6%	\$12.19	6.8%	\$6.54	8.6%	\$12.05	8.1%	\$11.34	6.9%	\$14.32
Marketing	7.1%	\$12.37	9.7%	---	4.2%	\$6.75	5.3%	\$9.23	3.9%	\$5.47	3.4%	\$4.75	1.7%	\$3.55
Franchise Fees	4.2%	\$7.26	---	---	4.6%	\$7.39	4.5%	\$5.84	4.4%	\$6.17	4.9%	\$6.81	---	---
Repairs/Maintenance	4.2%	\$7.37	2.8%	---	5.4%	\$8.69	4.2%	\$4.50	6.2%	\$8.73	6.3%	\$8.75	11.9%	\$24.84
Utilities	4.0%	\$6.92	6.5%	---	4.1%	\$6.61	3.6%	\$4.59	4.5%	\$6.25	4.6%	\$6.48	7.9%	\$16.42
Management Fee	3.0%	\$5.25	---	---	3.0%	\$4.84	3.0%	\$3.58	3.0%	\$4.20	3.0%	\$4.20	0.0%	\$0.00
Total Undistributed Exp.	29.1%	\$50.92	23.9%	---	28.8%	\$46.49	27.3%	\$34.27	30.6%	\$42.87	30.3%	\$42.32	28.4%	\$59.13
<u>Fixed Expenses</u>														
Insurance	0.7%	\$1.20	1.1%	---	1.4%	\$2.29	0.7%	\$1.62	1.7%	\$2.37	1.7%	\$2.38	4.5%	\$11.35
Real Estate Taxes	3.6%	\$6.34	5.6%	---	4.0%	\$6.47	5.2%	\$5.58	5.8%	\$8.09	5.4%	\$7.58	0.0%	\$0.00
Total Fixed Expense	4.3%	\$7.54	6.7%	---	6.7%	\$8.95	5.9%	\$7.20	7.5%	\$10.46	7.1%	\$9.96	4.5%	\$11.35
Total Expense (% of Total Rev.)	67.3%	\$117.72	66.6%	---	72.1%	\$111.44	57.6%	\$75.88	73.1%	\$102.36	68.1%	\$95.22	78.0%	\$164.39
Net Operating Income	32.7%	\$57.12	33.4%	---	27.9%	\$49.97	42.4%	\$75.60	26.9%	\$37.65	31.9%	\$44.63	22.0%	\$43.63

Expense Ratio with a 4% Reserve
Expenses POR with a 4% Reserve

71.3%	70.6%	76.1%	61.6%	77.1%	72.1%	82.0%
\$124.71		\$117.90		\$107.96	\$100.82	\$172.71

Our projections are based on marketing expense only. The PKF marketing and franchise fees range from 10.7% to 12.1%. The Anchorage comparisons range from 2.5% to 7.7%. The project will have no franchise fees and will be well below other lodging properties in terms of need for marketing of units. We project this expense at **2.25%** of total revenue.

Repair & Maintenance: This expense category covers the cost of maintaining a dormitory's physical plant. It includes the salaries of maintenance personnel, supplies, repair materials, building repairs, and contracts for the maintenance of grounds and landscaping. The PKF national survey shows a range of 4.1% to 5.3% of total revenue. The local comparable properties are 3.6% to 6.2%. We project this expense at **5.0%** of total revenue. Note a reserve for replacement will be considered separately.

Utility Expenses: This expense category includes the cost of electricity, water and sewer, and refuse collections. Utility expenses have some direct relationship to occupancy; however, public areas need to be heated and lighted regardless of the room nights sold. The PKF national survey shows a range of 3.6% to 4.9%. The local properties show utility expenses of 1.9% to 5.9% of total revenue. We project this expense at **12.0%** of total revenue.

Management Fee: According to the PKF surveys, average management fees are 2.5% and 3.1%. The Anchorage comparisons range from 2.9% to 3.7%. We project management expense at **5.0%** of gross revenue.

Total projected undistributed expenses for Year 1 are summarized below:

Total Undistributed Expenses		
Category	%	Total
Admin./General	5.0%	\$30,780
Marketing	2.25%	\$13,851
Repairs/Maintenance	5.0%	\$30,780
Utilities	12.0%	\$73,872
Management Fees	5.0%	\$30,780
Total	29.5%	\$180,063

FIXED EXPENSES

Insurance: According to the PKF surveys, average insurance fees are between 0.9% and 1.0%. The Anchorage comparisons range from 1.1% to 1.4%. The developer is projecting \$25,000 or well above the range of the comparisons. We estimate insurance at **4.0%** of gross revenue or \$24,624.

Real Estate/ Personal Property Taxes: As described in the Real Estate Taxes and Zoning chapter of this report, this expense is projected at \$26,900.

Total fixed expenses are projected at \$51,524 or 8.4% of gross revenue.

RESERVES

Furniture, fixtures, and equipment (FF&E) are essential to the operation of a lodging facility and are exposed to heavy use and must be replaced at regular intervals. Their quality and durability, and the amount of guest traffic and use determine the useful life of these items. Periodic replacement of FF&E is essential to maintain the relative quality, image and income of a lodging facility. Also, the reserve includes other items such as roof and parking lot replacement. From market data, the typical reserve is between 2.0% and 4.0% of total revenue. We project a reserve of 2.50%.

Estimated Net Operating Income

Deducting projected expenses as determined above from total revenue, indicates the following net operating income estimate:

Net Operating Income	
Revenue	\$615,560
Less: Departmental Expenses	(\$61,560)
Less: Undistributed Expenses	(\$180,063)
Less: Fixed Expenses	(\$51,524)
Less: Reserves	<u>(\$15,390)</u>
Net Operating Income	\$307,063

The subject projected NOI is 49.98%.

Income Capitalization Calculation

The final step in the direct capitalization analysis is conversion of income to a value indication using an appropriate capitalization rate.

We did not perform a sale comparison approach. We present recent sale comparisons from cabin rental sales. Recent sale comparisons provide direct market evidence of overall capitalization rates (R_o) for similar types of property. In the Sales Comparison Approach, we utilized several sales comparisons and the R_o for each is summarized below.



DIRECT CAPITALIZATION SUMMARY

Revenue

Revenue (See rental table)		\$615,600
----------------------------	--	-----------

Total Gross Revenue		\$615,600
---------------------	--	-----------

Departmental Expenses

Room	10.0% of Total Revenue	\$61,560
------	------------------------	----------

Total Departmental Expense		\$61,560
----------------------------	--	----------

Undistributed Expenses

Administration/General	5.0% of Total Revenue	\$30,780
------------------------	-----------------------	----------

Marketing	2.3% of Total Revenue	\$13,851
-----------	-----------------------	----------

Repairs/Maintenance	5.0% of Total Revenue	\$30,780
---------------------	-----------------------	----------

Utilities	12.0% of Total Revenue	\$73,872
-----------	------------------------	----------

Management Fee	5.0% of Total Revenue	\$30,780
----------------	-----------------------	----------

Total Undistributed Expense	29.3% of Total Revenue	\$180,063
-----------------------------	------------------------	-----------

Fixed Expenses

Insurance	4.0% of Total Revenue	\$24,624
-----------	-----------------------	----------

Real Estate Taxes	4.4% of Total Revenue	\$26,900
-------------------	-----------------------	----------

Total Fixed Expenses	8.4% of Total Revenue	\$51,524
----------------------	-----------------------	----------

Total Depart. & Undist. Expenses	47.6% of Total Revenue	\$293,147
----------------------------------	------------------------	-----------

Reserves for Replacement	2.50% of Total Revenue	\$15,390
--------------------------	------------------------	----------

Total Expenses	50.1%	\$308,537
----------------	-------	-----------

Net Operating Income	49.9%	\$307,063
----------------------	-------	-----------

Capitalized @	8.50%	\$3,612,506
---------------	-------	--------------------

"At Completion" Market Value	Rounded	\$3,610,000
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Add: Excess Land	\$110,000
------------------	------------------

"At Completion" Market Value	\$3,720,000
------------------------------	--------------------

Less: Cost to Complete	<u>\$1,200,000</u>
------------------------	--------------------

"As Is" Market Value	\$2,520,000
----------------------	--------------------

Capitalization Rate Range	
1 – Cabins on the Bluff	9.00%
2 – Alaska Suites	12.00%
3 – Shannon Cabins	7.00%
4 – Box Canyon Cabins	12.00%
5 – Maudi Cabins	9.90%

As shown, the comparisons indicate a fairly broad range between 7.00% and 12.00%. Sale No. 3 reflects a similar monthly cabin rental complex in Homer where the remaining properties are nightly/monthly operators that require higher operating expenses.

A review of apartment sales in our files (although the buildings were less similar overall), found a range of overall rates generally between approximately 6.5% and 9.5%. This range is supported by our survey of local investor expectations, as well.

We also reviewed the Realty Rates Survey for the 1st Quarter of 2054 to aid in our overall rate selection. This survey includes investor expectations for a wide variety of real estate markets, and we have concentrated on trends in the National Apartment Market. The survey indicates overall capitalization rates (R_o) for the National Apartment Market are from 5.57% to 12.80%; the average is 8.71%.

The subject will have average access and exposure. The buildings will be nearly new construction and will be in good condition overall. The project is being developed for a shortage of private and public housing options for summer and winter employees. Typical return for these types of projects are below normal investor returns. We would expect a rate for the subject to fall slightly above the average of the indicated national range.

Moreover, the rate should be toward the average of the investors' range for institutional grade properties. Ultimately, we selected a rate of 8.5%. The direct capitalization calculation for the subject using the indicated rate and the stabilized NOI determined in the preceding paragraphs is shown in the following tables.

Income Capitalization Calculation	
Net Operating Income	\$307,063
R_o – Capitalization Rate	÷ 8.5%
Indicated Value	\$3,612,506
Rounded to:	\$3,610,000

We round the “at completion” market value to \$3,610,000. Excess land value of \$110,000 is added to arrive at the total “at completion” market value of \$3,720,000. We deduct costs to complete of \$1,200,000 to arrive at the “as is” market value of \$2,520,000.

SUMMARY OF INCOME APPROACH

In this analysis, potential gross income was projected using the proposed rent for each unit. The vacancy and credit loss estimate were based on current and expected market conditions. Expenses were based on a review of several expense comparables and the developer's proforma. Comparable sales provided an indication of an appropriate capitalization rate. As such, we reconcile the value through this approach as follows:

In this analysis we applied the direct capitalization analysis to determine the appraised property's value “at completion.” We reconcile the approaches as follows:

Indicated Value by the Income Approach:

“At Completion”

\$3,720,000

“As Is”

\$2,520,000



RECONCILIATION

In the foregoing analysis, the value of the subject has been analyzed under the Cost Approach, Sales Comparison Approach and Income Capitalization Approach. The values indicated through the three approaches are as follows:

INDICATED VALUES "AS IS"	
Cost Approach (Land)	\$2,520,000
Sales Comparison	Not performed
Income Capitalization	\$2,520,000

INDICATED VALUES "AT COMPLETION"	
Cost Approach	\$3,720,000
Sales Comparison	Not Performed
Income Capitalization	\$3,720,000

Reconciliation is the analysis of alternative conclusions to arrive at a final value estimate. The approach that best represents market behavior and has employed the most reliable market data is given the most emphasis in reconciling to a final market value estimate.

The **Cost Approach** can be meaningful when it is possible to reliably estimate the costs of new construction as well as depreciation from all sources. We were able to estimate replacement cost new using the Marshall & Swift Commercial Estimator program. Further, in the Cost Approach we analyzed the value-in-use of the FF&E at **\$210,000**.

The **Sales Comparison Approach** is applicable when an active market provides sufficient quantities of reliable data, which can be verified from authoritative sources. We looked to similar property sales in the immediate area. There were no recent sales that were comparable in this part of Alaska.

In the **Income Capitalization Approach**, concern is with the present value of any future benefits of property ownership. Future benefits are generally indicated by the amount of net income the property will produce during its remaining useful life. We employed the direct capitalization method.

In this approach, a net operating income (NOI) is developed for the subject property using projected monthly rack rates, occupancy and expenses. The overall capitalization rate (R_o) are based on the Homer commercial sales national survey indicators. Generally,

investors place primary reliance upon the Income Capitalization Approach as it is representative of the return requirements demanded from income producing properties. We use this as a test of reasonableness for the Cost Approach.

VALUE CONCLUSION

The subject's market value through the Cost Approach was \$3,720,000. The Income Capitalization Approach is \$3,720,000. It should be noted that the Income Capitalization Approach does justify the developer's cost estimates with a contingency/developer's margin estimate included. The value through the Income Capitalization Approach reflects the methodology a buyer would use in an analysis of the subject and supports the owners' costs. The final value conclusion is based on the analysis through the Income Capitalization Approach.

The conclusions of this appraisal represent the value of the going concern, as is typical for lodge analyses. Thus, USPAP mandates that we include an allocation between real estate, personal property (FF&E) and business value. The subject has no business value. It should be noted that the FF&E value (\$210,000) reflects the property's value-in-use, as opposed to the market value or liquidation value. FF&E includes furnishings, appliances, equipment and miscellaneous items. In theory, some degree of business value is included within the allocated value of the FF&E.

Based on our research and analysis, it is the opinion of the appraiser that the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Property Rights	Fee Simple		Fee Simple
Appraisal Premise	"As Is"	"At Completion" /	"Stabilization"
Effective Date of Report	4/15/2025		6/1/2026
Value Conclusion	\$2,520,000		\$3,720,000
Real Property	\$2,330,000		\$3,510,000
FF&E	\$190,000		\$210,000
Business	\$0		\$0

The value estimates are predicated on an exposure period of up to twelve months and are subject to the assumptions and limiting conditions contained herein.



ADDENDA



March 13th 2025

SCOTT MONTALBO
DENALI APPRAISAL COMPANY
3300 Caress Circle
Anchorage AK 99507

RE: COMMERCIAL REAL ESTATE APPRAISAL ENGAGEMENT LETTER

Borrower: Anchor 907 LLC
Physical Address: 42706 Old Sterling Highway (38945 Sterling Highway) Anchor Point AK 99556
KPB Parcel #17107031

Please accept this letter as written authorization to proceed with your engagement to complete an appraisal on the real estate as described above and as described in the original Request for Appraisal sent to you for your bid response. **In order to comply with Bank Policy, please sign, date and return this engagement letter to appraisaldesk@nrim.com.** The client for this assignment is Northrim Bank, its officers and directors. Other intended users of the appraisal include the appropriate banking regulatory agencies, other financial institutions, and state agencies such as the Alaska Housing Finance Corporation and the Alaska Industrial Development Export Authority that may participate with Northrim Bank in funding a loan for which the subject property will be security. The original Appraisal Request sent to you for your bid request details the specifics for the type of appraisal required, which are summarized as follows:

Value Required: ☒ "As Is"	☒ "At Completion"	☒ "At Stabilized Occupancy"
Approaches to Value:	Report Requested:	Property Rights:
☒ Income	☐ Appraisal Report (Summary)	☒ Fee Simple
☒ Sales Comparison	☒ Appraisal Report (Self-Contained)	☐ Lease Fee
☒ Cost	(As described in 2012-2014 USPAP.)	☐ Leasehold Estate
	☐ Recertification of Value	
	☐ SBA 504	
	☐ FHLMC 71B	

The appraisal report is scheduled to be delivered by **APRIL 11TH 2025 for a total fee of \$7,500**. Please provide four hard copies of the report, or email it to appraisaldesk@nrim.com. **Unless otherwise agreed, if the report remains outstanding three days beyond the scheduled delivery date, the quoted appraisal fee will be adjusted negatively \$100 each day until received.** The report should estimate the **Fair Market Value** of the property according to FIRREA, and must meet the requirements of Northrim Bank's Appraisal Policy.

The report must meet the current Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by The Appraisal Foundation, and conform to the Interagency Appraisal and Evaluation Guidelines for Federally Related Transactions adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the State of Alaska, and Northrim Bank Appraisal Policy. Please be certain that your certification complies with the new certification standards found in Standards Rule 2-3 of USPAP.

The property must be appraised "As Is," "At Completion" (if appropriate) and "At Stabilized Occupancy" with detailed analysis and estimates of the time and cost necessary to achieve same enumerated within the appraisal, as appropriate. The "As Is" value of the property is based on its **current** physical condition and subject to the zoning in effect as of the date of appraisal.

3111 C STREET, SUITE 400 ♦ P.O. BOX 241489 ♦ ANCHORAGE, ALASKA 99524-1489
907-261-3592 ♦ 800-478-2265 ♦ FAX: 907-261-3391
appraisaldesk@nrim.com
Member FDIC ♦ Equal Opportunity Lender

For proposed or partially completed properties, value "**At Completion**" represents 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. For income producing properties, these costs include leasing commissions, rent loss/concessions, and tenant improvement costs on vacant or non-preleased space. Discount rates, growth rates, sales or absorption rates, revenues, expenses and occupancy levels should be based on current market and economic conditions and not upon estimates or projected levels that cannot be supported by current market conditions.

The "**Stabilized Value**" (at the effective date of stabilization) should be based upon current market and economic conditions supported by revenue, expense, and occupancy levels achieved by comparable properties.

The appraisal must contain an analysis of actual income and expenses experienced by the subject property where it is an existing income-producing property, and explain any anticipated deviations from the established historical trend. Market real estate taxes, costs for insurance, other expenses, and reserves for repair and replacement should be addressed and utilized appropriately. Any relevant market trend that affects the subject property or market, such as increasing vacancy rates, greater use of rent concessions, and declining sale prices, should be reported and analyzed. All property operating data provided to the appraiser is to be kept in strict confidence.

The report should be sufficiently descriptive to enable the reader to ascertain the value estimates, the rationale for each estimate, and should provide detail and depth of analysis that reflects the complexity of the real estate appraised. In addition, the report should not incorporate, by reference, a document not readily available to the reader. Studies prepared by a third party should be verified to the extent the assumptions and/or conclusions are used, and the appraiser's acceptance or rejection of a third party study and its impact on value should be fully explained.

All other values or interests appraised must be clearly labeled and segregated, e.g., business, fractional interest, furniture, fixtures, and equipment values. The appraisal is to have a separate assessment of personal property, fixtures, or intangible items that are attached to or located on real property if the personal property, fixtures, or intangible items affect the value of the real estate.

For further information regarding the subject property, such as legal description, inspection access, cost breakdown, plans and specifications, leases or lease summaries, operating expenses, etc., please contact:

Northrim Contact: Mike Dye	907-261-6228
Property Contact: Mike Hingle/	304-617-9931
Michael Daniel	907-299-8866

Appraisal report(s) and billing information should be addressed to Northrim Bank, Attn: Deatrice Swazer, 3111 C Street, P.O. Box 241489, Anchorage, Alaska, 99524-1489. The invoice must accompany the appraisal report. A signed "Received and Acknowledged" copy of these written instructions **must be** included in the addenda and referenced in the letter of transmittal submitted with the appraisal, **or the reports will be returned for correction. All appraisals must conform to the requirements of this letter and Northrim Bank Policy.**

Should you have any inquiries, kindly inquire.

Sincerely,

Arin Brooker | Appraisal Desk Specialist II
Northrim Bank | Achieve More
t: 907-261-3580 | f: 907-261-3391
www.northrim.com

Received and Acknowledge

By: 

<u>Item</u>	<u>Complete</u>	<u>Gas</u>	<u>Estimates</u>	<u>Electric</u>
	\$170,000.00			
	\$10,000.00			
Electrical	\$30,000.00	\$14,000.00		\$14,000.00
Replace interior lighting	\$7,000.00	\$7,000.00		\$7,000.00
Furniture	\$10,000.00	\$5,000.00		\$5,000.00
Interior Rehab	\$27,000.00	\$65,000.00		\$65,000.00
Floors	\$39,000.00	\$37,549.00		\$37,549.00
Roof Repair	\$12,000.00	\$7,500.00	\$7,255.00	\$7,500.00
Steps		\$24,000.00		\$24,000.00
Skirting		\$34,500.00		\$34,500.00
Engineering/Surveys	\$8,500.00	\$10,000.00		\$10,000.00
Internet		\$3,000.00		\$3,000.00
Water Delivery	\$1,500.00	\$1,500.00		\$1,500.00
Water Tank Building		\$34,500.00		\$34,500.00
Water Tank Roof		\$10,000.00		\$10,000.00
Water System		\$60,000.00		\$60,000.00
Demo all existing fixtures damaged from		\$29,623.03	\$29,623.03	\$29,623.03
Replace all water piping and connect to		\$52,500.43	\$52,500.43	\$52,500.43
Replace all waste piping that is damaged		\$58,163.03	\$58,163.03	\$58,163.03
Install 12 new hot water tanks with		\$75,617.16	\$75,617.16	\$24,000.00
Trim, install all new toilets, faucets, angle		\$20,103.03	\$20,103.03	\$20,103.03
Install all piping and pumps with a fill line		\$59,895.84	\$59,895.84	\$59,895.84
Install 48 heaters		\$114,866.76		\$28,400.00
Install heaters under each unit and vent,		\$30,112.90		\$6,000.00
Snow Removal				\$11,500.00
Interest Reserve				\$137,328.00
Project Management				\$60,000.00
Supplies and Overhead Reimbursement				\$19,100.00
Well Drilling				\$35,000.00
		\$754,431.18		\$855,162.36

PHASE 2

Reassembly/Anchor/Phase 2	\$170,000.00	\$175,000.00		\$175,000.00
Land Prep	\$10,000.00	\$25,000.00		\$25,000.00
Security systems	\$9,000.00	\$9,200.00		\$9,200.00
Inch and a half chip gravel	\$5,000.00	\$5,000.00		\$5,000.00
Driveway	\$20,000.00	\$20,000.00		\$20,000.00
Locks	\$3,000.00	\$5,000.00		\$5,000.00
Roof Repair	\$12,000.00	\$5,500.00		\$5,500.00
Engineering Fees	\$8,500.00	\$8,000.00		\$8,000.00
Electrical	\$30,000.00	\$20,000.00		\$20,000.00
Furniture	\$10,000.00	\$10,000.00		\$10,000.00
Interior Lighting	\$20,000.00	\$5,000.00		\$5,000.00
Interior Rehab	\$3,000.00	\$60,000.00		\$60,000.00
Flooring	\$12,000.00	\$31,000.00		\$31,000.00
Steps	\$30,000.00	\$36,000.00		\$36,000.00
Skirting	\$10,000.00	\$30,000.00		\$30,000.00
Demo all existing fixtures damaged from freezing		\$15,000.00	\$29,623.03	\$15,000.00
Replace all water piping and connect to water main.		\$30,000.00	\$52,500.43	\$30,000.00
Replace all waste piping that is damaged from freezing and connect to existing sewer		\$30,000.00	\$58,163.03	\$30,000.00
Install 3 new hot water tanks with concentric vents		\$15,000.00	\$75,617.16	\$3,000.00
Trim, install all new toilets, faucets, angle stops, shower trim etc		\$5,000.00	\$20,103.03	\$5,000.00
Install all piping with a fill line to each water tank.		\$30,000.00	\$59,895.84	\$30,000.00
dig and install all underground and unit gas piping, regulators, and flexes		\$105,728.44		\$0.00
Install 36 heaters		\$86,150.07		\$36,000.00
Install heaters under each unit and vent, plus one unit heater in the water tank building		\$15,000.00		\$3,000.00
	\$50,000.00			
Laundry Room/Machines				\$25,000.00
		\$776,578.51		\$621,700.00
			Total	\$1,476,862.36

PRO FORMA

Business Name:

Anchor Bridge

Occupancy: 90.0%

	Month 1 Jan-26	Month 2 Feb-26	Month 3 Mar-26	Month 4 Apr-26	Month 5 May-26	Month 6 Jun-26	Month 7 Jul-26	Month 8 Aug-26	Month 9 Sep-26	Month 10 Oct-26	Month 11 Nov-26	Month 12 Dec-26	Year 2 Total	Year 3 Total	Year 4 Total	Notes
REVENUES																
Duplex	\$ 22,500	\$ 22,500	\$ 22,500	\$ 22,500	\$ 49,600	\$ 49,600	\$ 49,600	\$ 49,600	\$ 49,600	\$ 22,500	\$ 22,500	\$ 22,500	\$ 405,500	\$ 425,775	\$ 447,064	32 rooms, \$1550/750 mo
Bunkhouse (5-Month Rental)	-	-	-	-	43,000	43,000	43,000	43,000	43,000	-	-	-	215,000	225,750	237,038	43 beds, \$1,000/mo
LT Rental 1 Bunkhouse Year Round	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Potential Revenue Streams
Transportation(B2B partnership)	-	-	-	-	450	450	450	450	450	-	-	-	2,250	2,318	2,387	Potential Revenue Streams
Laundry	720	720	720	720	1,800	1,800	1,800	1,800	1,800	720	720	720	14,040	14,461	14,895	Potential Revenue Streams
Food (B2B Partnership)	-	-	-	-	300	300	300	300	300	-	-	-	1,500	1,545	1,591	Potential Revenue Streams
Corner Property Rental	-	-	-	-	500	500	500	500	500	-	-	-	2,500	2,575	2,652	Potential Revenue Streams
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total													\$ 640,790	\$ 672,424	\$ 705,627	
GROSS PROFIT	\$ 23,220	\$ 23,220	\$ 23,220	\$ 23,220	\$ 95,650	\$ 95,650	\$ 95,650	\$ 95,650	\$ 95,650	\$ 23,220	\$ 23,220	\$ 23,220	\$ 640,790	\$ 672,424	\$ 705,627	
EXPENSES																
Laundry Cost	-	-	-	-	1,200	1,200	1,200	1,200	1,200	480	480	480	7,440	7,663	7,893	
Electronic Funds Processing	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	19,224	19,800	20,394	3.0 Gross Revenue
Snow Removal	5,000	5,000	3,000	1,500	-	-	-	-	-	1,500	300	4,000	20,300	48,000	49,440	Estimate from Collins Excavation
Insurance	7,000	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	25,000	25,750	26,523	
Janitorial	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	24,720	25,462	
Legal and Professional Fees	-	-	-	1,000	-	-	-	-	-	-	-	-	1,000	2,000	2,060	Misc. Prof. Fees
Office	50	50	50	50	50	50	50	50	50	50	50	50	600	618	637	Small office supplies
Owner's Salary	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	18,356	20,246	19,496	
Self Run Property Mangement	10,680	10,680	10,680	10,680	10,680	10,680	10,680	10,680	10,680	10,680	10,680	10,680	128,158	134,485	141,125	20% Gross Rev.
Repairs and Maintenance	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,000	27,000	27,000	1% Rule with \$2.7M fixed assets. Land Value 1M
Salaries and Wages(covered in P1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Utilities(Garbage)	500	500	500	500	500	500	500	500	500	500	500	500	6,000	6,180	6,365	
Utilities(Internet)	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	3,090	
Utilities (Electric)	50	50	50	500	1,000	1,000	1,000	1,000	1,000	50	50	50	5,800	5,974	6,153	
Utilities (water delivery)	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	1,000	1,000	1,000	17,000	17,510	18,035	
Property Taxes	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,001	20,000	20,600	Calculated from KP Borough mill rates
													-	-	-	\$2.3M loan, 20 yrs, 6.5%
FBOL Loan	14,666	14,666	14,666	14,666	14,666	14,666	14,666	14,666	17,333	17,333	17,333	17,333	186,660	207,996	207,996	1.2 M loan, 25 yrs, 6.13%
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL EXPENSES	\$ 48,244	\$ 42,881	\$ 40,881	\$ 40,831	\$ 41,031	\$ 41,031	\$ 41,031	\$ 41,031	\$ 43,698	\$ 42,528	\$ 41,328	\$ 45,028	\$ 509,539	\$ 570,942	\$ 582,269	
NET PROFIT	\$ (25,024)	\$ (19,661)	\$ (17,661)	\$ (17,611)	\$ 54,619	\$ 54,619	\$ 54,619	\$ 54,619	\$ 51,952	\$ (19,308)	\$ (18,108)	\$ (21,808)	\$ 131,251	\$ 101,481	\$ 123,357	
Cash flow	\$ (25,024)	\$ (44,685)	\$ (62,346)	\$ (79,957)	\$ (25,337)	\$ 29,282	\$ 83,902	\$ 138,521	\$ 190,474	\$ 171,166	\$ 153,059	\$ 131,251				
Notes																

For Pro Forma-Lowering expenses based on P1
GEOVISION-J1 provider 6033634187



Scott Montalbo

Appraiser Qualifications

- Owner, Denali Appraisal Company (November 2020 to Present)
- Appraiser, North Pacific Advisors (Nov. 2011 to September 2022)
- Appraiser, Howard & Wing (2007 - Nov. 2011)
- Appraiser, Integrated Realty Resources (2005 - 2007)
- Graduate of University of Colorado at Boulder 2003 (BBA in Finance)
- Alaska resident since 1977

Appraisal experience includes appraisal assignments covering the State of Alaska. This experience involved numerous property types: office, retail and industrial buildings, complex properties and raw land. Previous clients include banks, mortgage lenders and private property owners.

In 2003, Mr. Montalbo earned a BBA in Finance from the University of Colorado at Boulder. Shortly thereafter Mr. Montalbo joined Integrated Realty Resources Inc. working for two years before transferring to Howard & Wing. Howard and Wing partnership dissolved into North Pacific Advisors in 2011. Mr. Montalbo started Denali Appraisal Company in 2020 and was a private contractor with North Pacific Advisors until October 2022. Other job experience includes commercial fishing and owning a small construction company prior to 2005.

The following is a summary of appraisals completed: As of May 30, 2023

OFFICE

Fifth Avenue Building
Tudor Office Building
Resolution Tower
4115 Lake Otis Parkway
711 H Street
Stewart Title
Kwon Office Building
1415 Tudor Road
Ahtna Office Building
CITC Headquarters
Juneau Federal Building
UIC Barrow

Nome Federal Building
302 Gold Street Condo's (Juneau)
1111 West 8th Avenue (Juneau)
3000 Business Boulevard (Juneau)
Reed Building
Koniaq Office Building (Kodiak)
3123 Channel Drive
325 F Street
PND Office Building
Unit 203/204 Southgate Condo's
Neish Medical Clinic (Wasilla)
817 First Street (Fairbanks)
36297 Kenai Spur Highway (Soldotna)
Nome Federal Courthouse (Nome)
36892 Mallard Road (Soldotna)

Bivin Plaza
2600 Cordova
4200 Lake Otis Parkway
GSA Federal Building (Rent Studies)
Denali Towers North & South
1410 Rudakof Circle
1815 South Bragaw
Eklutna Office Building
Ahtna Headquarters
7th and E Office Building
Kachemak Title Building (Homer)
Sitka Office
1076 Fireweed Lane
2770 Sherwood Lane (Juneau)
2243 Jordan Avenue
304 Main Street (Dillingham)
104 Main Street (Dillingham)
Sesame Office Buildings
3161 Channel Drive
Southgate Condo
315 E Street
3132 Channel Drive (Juneau)
3543 Meridian Loop (Wasilla)
2975 Mill Bay Road (Kodiak)
351 Carlanna Lake Road (Ketchikan)
Arctic Chiropractic Center (Kotzebue)

333 West 7th Avenue (Anchorage)
104 Main Street (Dillingham)
Bill Ray Building (Juneau)
900 Northern Lights Boulevard (Anchorage)
2975 Mill Bay Road (Kodiak)
3543 East Meridian Loop (Wasilla)
215 Mission Street (Kodiak)
2365 Mill Bay Road (Kodiak)
4063 Pennock (Homer)
Salmon Landing Condos (Ketchikan)
1091 East End Road (Homer)
4059/4063 Pennock Street (Homer)

819 1st Avenue (Fairbanks)
3159 Channel Drive (Juneau)
244 Main Street (Dillingham)
3000 Vintage Boulevard (Juneau)
3733 Ben Walter Lane (Homer)
Wilson Lane Medical Office Condos (Soldotna)
900 Northern Lights Boulevard (Anchorage)
304 Main Street (Dillingham)
3181 Mill Bay Road (Kodiak)
315 E Street (Anchorage)
36892 Mallard Road (Kenai)

RETAIL

4138 Mountain View Drive (Brown's Jug)
Qupqugiag Inn Motel
1001 West 29th Avenue
100 Fireweed Lane
North Slope Restaurant
333 West 7th Avenue
360 International Condo's
Sea Galley Restaurant
Northway Mall-Cheap Prices
Homestead Restaurant (Homer)
Rainbow Foods (Juneau)
Westside Center (Wasilla)
270 2nd Avenue (Skagway)
Johannes Restaurant (Eagle River)
Spirits of Alaska
Ketchikan Retail Condominiums
North Gate Square (Fairbanks)
Walgreens (Eagle River)
Cannava Clinic (Soldotna)
200 Egan Drive (Valdez)
432 South Franklin Street (Juneau)
47710 Bennett (Soldotna)
110 North Franklin Street (Juneau)
Walgreens - Lake Otis Parkway
Soldotna Dental Arts (Soldotna)
3051 Palmer-Wasilla Highway (Wasilla)
Jumpin Junction (Kenai)
Diamond Center (Kenai)
Grocery Store (Toksok Bay)
Walgreens (Fairbanks)
Dover Center
322 Shelikof Street (Kodiak)
Cozy Carpet (Eagle River)
Spirits of Alaska
218 Shelikof Street (Kodiak)
O'Reilly's (Kenai)
Turnagain BBQ pit (Bird)
1515 Mill Bay Road (Kodiak)
3330 Denali Street (Anchorage)
1076 Fireweed Lane (Anchorage)
5440 East Northern Lights (Anchorage)
1627 Mill Bay Road (Kodiak)
True Value (Homer)
422 Mill Bay Road (Ketchikan)
Planet Fitness (Eagle River)
2525 Industrial Boulevard (Juneau)
162 West Pioneer Avenue (Homer)
Bayview Trading Company (Sitka)

2001 East 88th Avenue
Cornerstone Mall - Fairbanks
Evergreen Center – Palmer
100 Muldoon Road
Hogg's Brothers Restaurant
Henry's Great Alaskan Restaurant
Brewster's
Firelake Plaza
Tang Soo Do Academy
Red Roof Inn
Jewell Properties (Skagway)
Scanlong Gallery (Ketchikan)
Sugar N Spice (Valdez)
Auto Supply (Soldotna)
Sew N Vac (Soldotna)
Spenard Roadhouse
219 South Franklin (Juneau)
Sicily's Pizza (Wasilla)
515 Fireweed Lane
2509 Fairbanks
2300 E. 63rd Avenue
141 East 5th Avenue
230 Second Street (Juneau)
9800 Old Seward Highway
100 Muldoon
140 Main Street (Kenai)
Jordan Creek Center (Juneau)
10 Main Street (Dillingham)
5430 Northern Lights Boulevard
Anchorage Six Robbles
1270 East 64th Avenue
4119 Mountain view Drive
3330 Denali Street
Allen & Peterson (Wasilla)
1421 Mill Bay Road (Kodiak)
Klondike Pizza (Seward)
211 Rezanof Drive (Kodiak)
100 North Franklin Street (Juneau)
Country Foods AIG (Kenai)
Dancing Leaf Gallery (Talkeetna)
Pippel Center (Eagle River)
Sea Inn Bar (Dillingham)
100 North Franklin Street (Juneau)
Alaska Brewing Company (Juneau)
248 Pioneer Avenue (Homer)
422 Mission Street (Ketchikan)
158 West Pioneer Avenue (Homer)
Seward Brewpub (Seward)

324 Front Street (Ketchikan)
 518 Marine Way (Kodiak)
 201 Center Avenue (Kodiak)
 Compass Suites (Kodiak)
 43299 KBR (Kenai)
 122 W. Rezanof Drive (Kodiak)
 1311 Mill Bay Road (Kodiak)
 401 South Franklin Street (Juneau)
 Homer Bar (Homer)
 34180 Business Park (Soldotna)
 Kodiak Convention Center (Kodiak)
 2906 Halibut Point Road (Sitka)
 11595 Kenai Spur Highway (Kenai)
 397 East Pioneer Avenue (Homer)
 Peninsula Center Mall (Soldotna)

N&N Market (Dillingham)
 1139 Gambell Street (Anchorage)
 Henry's Restaurant (Kodiak)
 104 East Pioneer Avenue (Homer)
 Dover Center (Anchorage)
 34180 Business Park Frontage Road (Kenai)
 River Mall Condos (Eagle River)
 Dealership (Fairbanks)
 Proposed Retail Center (Fairbanks)
 Delta Concrete (Delta Junction)
 215 4th Avenue (Seward)
 1283 Tongass Avenue (Ketchikan)
 640 Shakes Street (Wrangell)
 1450 Karen Way (Fairbanks)

INDUSTRIAL

2609 A Street
 FedEx Ground
 5020 Fairbanks
 310 East 76th Avenue
 801 East 82nd Avenue
 1805 & 1825 Academy Drive
 2200 Spar Avenue
 1301 West 46th Avenue
 5031 Eagle Street
 Silverfox Condo Units
 4000 West 50th Avenue
 380 West 54th Avenue
 Reeve Hangar
 Alaska Steel
 8411 Airport Road (Juneau)
 Palmer Criterion
 Wasilla Moving and Storage
 Valley Equipment Restoration
 Automotive Collision Experts (Homer)
 3900 Sterling Highway (Homer)
 Kotzebue Hangar
 2840 Commercial Drive
 Rozak Excavation (Ninilchik)
 1020 International Airport Road
 AAA Moving (Juneau)
 4000 West 50th Buildings
 L&M Equipment (Naknek)
 6151 A Street
 122 E 54th Avenue
 6511 Brayton Drive
 2723 Rampart Drive
 2511 Eagle Street
 6384 Kenai Spur Highway (Soldotna)
 1820 West Dimond Boulevard
 Taylor Equipment (Soldotna)
 1550 Gambell Street
 158 Alminaq Drive (Kodiak)
 4451 Aircraft Drive
 AAA Moving (Juneau)
 8300 Homer Drive
 1275 Chief Eddie Highway (Bethel)
 1151 North Shenandoah (Wasilla)
 Atigun Properties (Nikiski)
 35039 K-B Drive (Kenai)
 518 West Marine (Kodiak)

Construction Machinery
 301 International
 1305 & 1309 36th Avenue
 Dan's Aircraft Hanger's
 1400 East 1st Avenue
 310 East 76th Avenue
 2799 Rampart Drive
 6161 A Street
 476 Chipperfield
 4970 Fairbanks Street
 240 West 1st Avenue
 1702 Ship Avenue
 Lake Aire Hangar
 2511/2600 Fairbanks Street
 636 Stedman Street
 200 East Centaur Ave. (Wasilla)
 Wings of Alaska Hangar (Juneau)
 2053 Mlakar Circle (Big Lake)
 Wolverine Office/Warehouse (Wasilla)
 3245 East End Road (Homer)
 Alaska Glacier Products (Eklutna)
 720 Evergreen (Palmer)
 AAA Storage (Juneau)
 Affordable Auto Repair (Juneau)
 2424 East 5th Ave. Hangar
 35039 K-B Drive (Soldotna)
 467 Chipperfield
 5451 Laona Drive
 44170 K-B Road (Soldotna)
 Shotcrete Warehouse (Delta Junction)
 2700 Porcupine Drive
 7810 Lake Otis Parkway
 Airport Hangar (King Salmon)
 710 bonanza Avenue
 1111 Dowling Road
 2345 East 4th Avenue
 Wings Hangar (Juneau)
 2820 Commercial Drive
 9401 King Steet
 34529 Kenai Spur (Soldotna)
 5001 Eagle Street
 5366 Glacier Highway (Juneau)
 300 Airport Way (Naknek)
 904 West Egan Drive (Valdez)
 9401 King Street (Anchorage)

428 Marine Way (Kodiak)
 L&M Equipment (Naknek)
 1950 Mill Bay Road (Kodiak)
 1701 East 54th Avenue (Anchorage)
 583 Mt Hood Drive (Girdwood)
 1633 Airport Way (Kodiak)
 Andrew Airways (Kodiak)
 3010 Mill Bay Road (Kodiak)
 Maritime Warehouse (Naknek)
 Bobcat of Juneau (Juneau)
 3035 Little Fireweed (Homer)
 420 North Willow Street (Kenai)
 332 35th Avenue (Fairbanks)
 Wade Oil Office/Shop (Nikiski)
 1921 Richardson Highway (Fairbanks)
 Bearpaw River Brewing Company (Wasilla)
 59522 East End Road (Homer)
 2180 Mill Bay Road (Kodiak)
 3080 Kilokak Avenue (Homer)
 44045 KBR (Kenai)
 1417 Mill Bay Road (Kodiak)
 53510 Veco Avenue (Nikiski)
 36230 Pero Street (Soldotna)
 39313 Sterling Highway (Sterling)
 6151 A Street (Anchorage)
 42877 KSH (Kenai)
 9737 Mudd Bay Road (Ketchikan)
 K Beach Storage (Kenai)
 5456 Jenkins Drive (Juneau)
 7941 Sandlewood Place (Anchorage)
 1118 East 71st Avenue (Anchorage)

3601 Ruth Drive (Wasilla)
 1417 Mill Bay Road (Kodiak)
 Spenard Builders Supply (Anchorage)
 599 Mt Hood Drive (Girdwood)
 3340 Industrial Avenue (Fairbanks)
 Tyler Rental (Juneau)
 Kachemak Electric (Nikiski)
 5275 Glacier Highway (Juneau)
 2100 Mill Bay Road (Kodiak)
 2489 Kachemak Drive (Homer)
 2272 Brandy Lane (Juneau)
 1960 Eklutna Street (Palmer)
 1355 Ocean Drive (Homer)
 54735 Industrial Avenue (Nikiski)
 1352 Richardson Highway (Valdez)
 Homer Self Storage (Homer)
 3038 North Caribou Street (Wasilla)
 2975 Mill Bay Road (Kodiak)
 Craig Taylor Portfolio (Alaska)
 142/220 Sargent Road (Kodiak)
 2020 Mill Bay Road (Kodiak)
 15661 East Kitty Hawk (Talkeetna)
 43370 Kenai Spur Highway (Nikiski)
 1020 West International Road (Anchorage)
 Juneau Trust Plant (Juneau)
 1247 Mill Bay Road (Kodiak)
 Denali Gymnastics (Wasilla)
 646 Rohloff Street (Fairbanks)
 400 Aleknagik Lake Road (Dillingham)
 36 Olga Street (Naknek)
 1301 Eastaugh Way (Juneau)

MULTI-FAMILY

4321 Thompson Avenue
 Yak Estates (Fairbanks)
 Heritage Apartments
 2500 D Street
 Chilkoot Residential Condos
 Northwood Apartments (Juneau)
 Bayview Apartments (Juneau)
 4705 Piper Street
 221 Meyer Street Apartments
 241 Frontier Street (Naknek)
 Eco Housing Subdivision (Valdez)
 1113 Selief Lane (Kodiak)
 100 Benson Boulevard (Seward)
 5130 Herman Street (Barrow)
 1700 Northwood Drive (Juneau)
 9000 Richardson Drive (Juneau)
 522 Front Street (Wrangell)
 901 Halibut Point Road (Sitka)
 Oceanview Apartments (Dillingham)

Weidner Apartments
 Harmony Hills Condominiums
 Begich Apartments
 Nome Apartments
 Alderwood Apartments (Juneau)
 David Street Apartments (Juneau)
 3410 Eide Street 6-Plex
 740 West 47th Avenue
 811 Auk Street (Kenai)
 8200 West Rezanof Drive (Kodiak)
 500 East 6th Avenue (Nome)
 Mountain View Apartments (Valdez)
 3540 Spruce Cape Road (Kodiak)
 524 4th Avenue (Seward)
 2696 David Street (Juneau)
 1212 Purtov Road (Kodiak)
 326 Boundary Street (Fairbanks)
 Creekside Apartments (Dillingham)

SPECIAL PURPOSE

Goldbelt Upland/Tideland - Juneau
 Seadrome Office/Land - Juneau
 Peter's Creek Trading Post
 Alaska Sales & Service
 Bristol Alliance Fuels - Dillingham
 Day Care Center - 4250 Shelikof Street
 A & M Motors
 Hutchings Glacier Dealership

Covenant House
 Waterfall Resort –POW Island
 Trail Lakes Lodge – Moose Pass
 International Mini Storage
 Tree Top's Lodge – POW Island
 Mercedes Dealership
 Hutchings Chevrolet Dealership
 Old Seward Laser Wash

Muldoon Laser Wash
 Chanlyut Center
 Valdez Mini-Storage
 Lake Otis Laser Wash
 Alaska Maxi Storage (Soldotna)
 Tudor Touchless Car Wash
 Gwin's Lodge (Cooper Landing)
 Chevrolet of Fairbanks
 Churchill MHP (Juneau)
 SEARHC Dental Clinic (Juneau)
 Sentry Church
 2911 Huffman Road
 Autowash Express (Soldotna)
 Bearclaw Lodge (Aleknagik Lake)
 Trapper Creek Roadhouse (Trapper Creek)
 Comfort Inn (Kodiak)
 Angler's RV Park (Ninilchik)
 Courthouse (Dillingham)
 Grizzly Campground (Denali)
 Coves MHP (Kodiak)
 Autowash Express Car Wash (Kenai)
 Touchless Carwash's
 Hands Free Carwash (Eagle River)
 Doc Warner's Lodge/Tidelands (Excursion Inlet)
 Mazek Carwash
 215 Fourth Street (Seward)
 Wards Cove Grocery Store (Naknek)
 Proposed Kodiak Compass Suites (Kodiak)
 Dirt Buster's Carwash (Peter's Creek)
 Proposed Car wash (Eagle River)
 Kotzebue Portfolio (Kotzebue)
 Pybus Point Lodge (Admiralty Island)
 Short Stop Tesoro (Homer)
 Spruce Park RV Park (Juneau)
 Alutiq Hangar (Kodiak)
 500 Trident Avenue (Kodiak)
 479 Katlian Avenue (Sitka)
 MyPlace (Ketchikan)
 Proposed Riverside Group Home (Soldotna)
 Icy Strait Fisheries (Juneau)
 Alaskans (Cooper Landing)
 Mudbusters (Wasilla)
 Lake Aire Hangar (Anchorage)
 5353 West Rezanof Drive (Kodiak)
 Juneau Hotel (Juneau)
 St. Marys Hangar (St. Mary's)
 Lifemed Hangar (Fairbanks)
 RAVN Portfolio (Barrow)
 RAVN Hangar (Galena)
 Driftwood Inn (Homer)
 Burkshore Marina (Big Lake)
 RV Park (Ninilchik)
 Proposed Hangar (Kenai)
 Aspen Hotel (Haines)
 41070 Sterling Highway (Anchor Point)
 Doc Warner's Lodge (Excursion Inlet)
 Employee Housing Facility (Anchor Point)
 Salmon Landing (Ketchikan)
 Creekbend Company (Hope)
 Pybus Point Lodge (Admiralty Island)
 Chugachmiut Medical Clinic (Seward)
 Alaska Seafoods (Hoonah)

Ernie Turner Center
 Burkshore Marina
 82 Wood Road (Ketchikan)
 Chrysler Dealership
 Lake Otis Touchless Car Wash
 SEARHC Medical (Juneau)
 Mercedes Dealership
 Riverside Assisted Living Facility (Soldotna)
 SEARHC Hospital (Juneau)
 Doc Warner's Lodge (Excursion Inlet)
 Hutchings Dealerships (Soldotna)
 Peters Creek Chevron (Peter's Creek)
 1229 Richardson Highway (Delta Junction)
 Mercedes Dealership
 Qupqugiak Inn
 King Salmondeaux Lodge (Soldotna)
 Proposed Aspen Hotel (Haines)
 Bethel Utilities Company (Bethel)
 Youngs Downtown Inn (Homer)
 134 Alminaq Drive (Kodiak)
 Mudbuster's Carwash (Wasilla)
 214 Shugluk Street (Atkasuk)
 Hames Corporation Properties (Sitka)
 Breakwater Inn (Juneau)
 Pybus Bay Lodge (Pybus Bay)
 Brown Bear Saloon (Bird)
 Wards Cove Hardware (Hoonah)
 Best Western Inn (Kodiak)
 Kenai Fire Camp (Kenai)
 Yuut Learning Center (Bethel)
 Grizzly Campground (Denali)
 Dillingham Courthouse (Dillingham)
 2425 Tongass Avenue (Ketchikan)
 Wildland Portfolio (Cooper Landing)
 Lake Clark Lodge (Lake Clark)
 Eklutna Clinic (Eklutna)
 Best Western (Kodiak)
 Salmon Landing (Ketchikan)
 306 West 5th Avenue (Nome)
 Cold Storage Plant (Hoonah)
 Kasilof Riverview Tesoro (Kasilof)
 Gwin's Lodge (Cooper Landing)
 3771 West Hill (Homer)
 33002 Voznesenka Loop (Fritz Creek)
 Alaska Frontier Inn (Delta Junction)
 Bethel Hangar (Bethel)
 Proposed Hangars (Wasilla)
 RAVN Hangar (Fairbanks)
 RAVN Hangar (Deadhorse)
 RAVN Hangar (Dillingham)
 Kenai River Brewing (Soldotna)
 Kenaitze Education Center (Kenai)
 Valdez Hangar (Valdez)
 Juneau MHP (Juneau)
 22614 Terrace Drive (Kasilof)
 72811 Milo Fritz (Anchor Point)
 Seward Cabins (Seward)
 4700 Eat Begich Circle (Wasilla)
 Ekuk Properties (Dillingham)
 Freshwater Hangar (Dillingham)
 Alaska Seafoods (Juneau)

VACANT LAND

Diamond Parking Vacant Land
GSA Federal Parking Allocation
1701 West Dimond Boulevard
Valdez Land
CITC Land
Naknek
239 North Harbor Road (Valdez)
USS 899 Tidelands (Kodiak)
8650 Rezanof Drive (Kodiak)
1815 Chichenof Street (Kodiak)

Klatt Homestead
26th & Cordova Street
Burlwood Subdivision
Homer Vacant Land
Sports Authority Pad Site
Roseberry Highlands Subdivision
22809 Chiniak Highway (Kodiak)
1811 Chichenof Street (Kodiak)
Pybus Point Tidelands (Admiralty Island)
City of Homer (Homer)

APPRAISAL CLIENTS:

McKinley Alaska Growth Capital
Bank of the West
Cordell Financial Group
Diamond Parking
Foundation Bank
Key Bank of Alaska
Pacific International Bank
Residential Mortgage, LLC
Wells Fargo Bank
Bank of America
Denali State Bank

AlaskaUSA Federal Credit Union
Cook Inlet Tribal Council, Inc.
Denali Alaskan Federal Credit Union
First National Bank Alaska
GSA Leasing Department
Municipality of Anchorage
Northrim Bank
U.S. Bank
Zion's First National Bank
First Bank

License #: APRG774
Effective: 6/5/2023
Expires: 06/30/2025

State of Alaska

Department of Commerce, Community, and Economic Development
Division of Corporations, Business, and Professional Licensing

Board of Certified Real Estate Appraisers

Licensee: **SCOTT NOEL MONTALBO**

License Type: **Certified General Real Estate Appraiser**

Status: **Active**

Commissioner: Julie Sande

Relationships

No relationships found.

Designations

No designations found.

SCOTT NOEL MONTALBO
3300 CARESS CIRCLE
ANCHORAGE, AK 99507

Wallet Card

State of Alaska Department of Commerce, Community, and Economic Development Division of Corporations, Business, and Professional Licensing Board of Certified Real Estate Appraisers SCOTT NOEL MONTALBO As Certified General Real Estate Appraiser		
License APRG774	Effective 6/5/2023	Expires 06/30/2025