

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 31, 2002

1:10 p.m.

MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Beverly Masek, Vice Chair
Representative Scott Ogan
Representative Drew Scalzi
Representative Peggy Wilson
Representative Albert Kookesh

MEMBERS ABSENT

Representative Mary Kapsner

COMMITTEE CALENDAR

HOUSE BILL NO. 298

"An Act relating to legislative approval of certain land leases by the Alaska Railroad Corporation."

- MOVED CSHB 298(TRA) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 298

SHORT TITLE: LEGISLATIVE APPROVAL OF RAILROAD LEASES

SPONSOR(S): REPRESENTATIVE(S) MURKOWSKI

Jrn-Date	Jrn-Page		Action
01/14/02	1952	(H)	PREFILE RELEASED 1/4/02
01/14/02	1952	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1952	(H)	TRA, L&C
01/31/02		(H)	TRA AT 1:00 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE LISA MURKOWSKI

Alaska State Legislature

Capitol Building, Room 408

Juneau, Alaska 99801

POSITION STATEMENT: Sponsor of HB 298.

SCOTT JANKE
City of Seward
P.O. Box 167

Seward, Alaska 99664

POSITION STATEMENT: Testified on HB 298 on behalf of the City
of Seward.

WENDY LINDSKOOG, Director
External Affairs
Alaska Railroad Corporation (ARRC)
P.O. Box 107500

Anchorage, Alaska 99510-7500

POSITION STATEMENT: Testified on HB 298 on behalf of the ARRC.

JAMES KUBITZ, Vice President
Real Estate

Alaska Railroad Corporation
P.O. Box 107500

Anchorage, Alaska 99510-7500

POSITION STATEMENT: Testified on HB 298 on behalf of the ARRC.

ACTION NARRATIVE

TAPE 02-1, SIDE A
Number 0001

CHAIR VIC KOHRING called the House Transportation Standing
Committee meeting to order at 1:10 p.m. Committee members
present at the call to order were Representatives Ogan, Wilson,
Masek, and Kohring. Representatives Scalzi and Kookesh joined
the meeting as it was in progress.

HB 298-LEGISLATIVE APPROVAL OF RAILROAD LEASES

CHAIR KOHRING announced that the matter before the committee was
HOUSE BILL NO. 298, "An Act relating to legislative approval of
certain land leases by the Alaska Railroad Corporation."

Number 0058

REPRESENTATIVE LISA MURKOWSKI, Alaska State Legislature, sponsor
of HB 298, said HB 298 is a simple piece of legislation, and
that she believes it to be relatively non-controversial. She
said HB 298 extends the lease period from 35 to 55 years for
those leases within a terminal reserve located at Anchorage,

Fairbanks, Seward, or Healy. She said the reason for these areas' selection was "this is where you have the commercial development." Representative Murkowski also said the reason for the request to change the lease term to a longer period was to allow for appropriate financing.

REPRESENTATIVE MURKOWSKI gave the example of Ship Creek as an area that has been looked at for development. She told the committee that developers have hesitation when they see that "after 35 years, this property might revert back to the railroad," and they shy away from pursuing projects there. In order to combat this, HB 298 would extend leases from 35 to 55 years. The bill is supported by businesses in those areas as well as the cities and assemblies.

Number 0280

CHAIR KOHRING requested a motion to adopt the proposed committee substitute (CS) for HB 298, version 22-LS1192\C, Utermohle, 1/21/02, for discussion purposes.

[An unidentified member said, "So moved."]

CHAIR KOHRING asked if there was any objection and then announced that Version C was adopted.

Number 0350

SCOTT JANKE, Manager, City of Seward, testified via teleconference. He said the City of Seward supports the 55-year lease period, and that the city council passed a resolution supporting it in late November. He said the bill will help large development projects take place, and give developers time to amortize large capital costs. He restated Seward's support of the bill.

Number 0419

CHAIR KOHRING asked Wendy Lindskoog if there were any potential investors approaching the Alaska Railroad Corporation (ARRC).

WENDY LINDSKOOG, Director, External Affairs, Alaska Railroad Corporation (ARRC), testified before the committee. In response to Chair Kohring's question, she gave the example of the Government Hill area. She said that there was a senior housing development looking at the "rail land" for lease, and the prospective developers would like to get U.S. Department of

Housing and Urban Development (HUD) financing, but HUD requires a 50-year lease.

Number 0480

JAMES KUBITZ, Vice President, Real Estate, Alaska Railroad Corporation (ARRC), testified via teleconference. He said that he did not have "people ready to sign the minute this is passed," but he said there were three or four people who were curious about "how this turns out." He said that a common problem developers have come to him with is that they cannot get financing for a 35-year lease.

CHAIR KOHRING said that it sounds like a good bill and asked why it hadn't come up sooner. He asked if, in the past, there was not an interest in leasing the land beyond 35 years.

MS. LINDSKOOG said that it has come more to the ARRC's attention in recent years. She gave the example of the "Tri-Valley Subdivision" in Healy for which the legislature passed a bill that allowed a couple to get a 30 year loan on land that had 20 years left on the lease. Ms. Lindskoog said that showed the ARRC that it would not be a controversial issue. She said that getting currently underdeveloped land developed would be one of the benefits of the bill. She gave the example of Ship Creek.

Number 0589

CHAIR KOHRING asked if she expected a substantial revenue stream from the leases.

MS. LINDSKOOG said, "Hope so." She pointed out that the ARRC is required to charge fair market value by law. In a long-term lease, the land is reappraised every five years, and the lease rate is adjusted accordingly. She also pointed out that there are "caps so you can't just skyrocket the price."

CHAIR KOHRING surmised that any lease agreements have to be approved by the ARRC board of directors.

MS. LINDSKOOG confirmed Chair Kohring's statement, and added that ARRC leases go through a full public process. She said if the land is undeveloped, there is a 30-day public notice. She said in the case of land that has been leased before, there is a 15 day notice.

Number 0659

REPRESENTATIVE OGAN made the observation that the only difference between the original bill and the proposed CS, appeared to be the title.

MS. LINDSKOOG said that the new title was more concise and targeted towards the bill. She said that from the perspective of the ARRC, "leasing bills" for railroad land have the potential for many added amendments.

Number 0705

REPRESENTATIVE WILSON asked if it was a "swatch of land." She asked Ms. Lindskoog to clarify a bit on the "origination" of the actual land.

MS. LINDSKOOG said the ARRC has 36,000 acres of land. That was the amount under federal ownership when the state purchased the railroad. She said it was agreed at that point that the land would stick with the railroad as a vehicle with which the railroad could earn revenue. She said that revenue was to go back into capital improvements every year. She said of the 36,000 acres, half is railroad corridor land - the right-of-way where the track lies - and also the land for facilities such as the yards. This half is not leased out. Ms. Lindskoog said the other half is leasable, and there are large reserves of contiguous land in Anchorage, Fairbanks, Healy, Seward, and Curry.

CHAIR KOHRING asked Ms. Lindskoog if she knew of any opposition to the legislation.

Number 0800

MS. LINDSKOOG answered that there was none, to her knowledge.

REPRESENTATIVE OGAN moved to report CSHB 298, version 22-LS1192\C, Utermohle, 1/21/02, out of committee with individual recommendations and no accompanying fiscal notes.

REPRESENTATIVE MASEK asked for unanimous consent. There being no objections, CSHB 298(TRA) was moved out of the House Transportation Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:20 p.m.