

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 2, 2012

3:34 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Thomas Wagoner
Senator Albert Kookesh
Senator Linda Menard
Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 156

"An Act extending the time period for which the Alaska Railroad Corporation may lease land without reserving the right to terminate the lease."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 156

SHORT TITLE: ALASKA RAILROAD LAND LEASES

SPONSOR(S): LABOR & COMMERCE

01/17/12	(S)	READ THE FIRST TIME - REFERRALS
01/17/12	(S)	L&C, CRA
01/24/12	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
01/24/12	(S)	Heard & Held
01/24/12	(S)	MINUTE(L&C)
01/26/12	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
01/26/12	(S)	Moved SB 156 Out of Committee
01/26/12	(S)	MINUTE(L&C)
01/27/12	(S)	L&C RPT 4DP 1NR
01/27/12	(S)	DP: EGAN, GIESSEL, DAVIS, MENARD
01/27/12	(S)	NR: PASKVAN
02/02/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

DANA OWEN, Staff
Senator Dennis Egan
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 156.

TIM SULLIVAN, Manager
External Affairs
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Supports SB 156.

JOHN COOK, Member
Board of Directors
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Supports SB 156.

BILL HUPPRICH, Vice President
General Counsel
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Supports SB 156

ACTION NARRATIVE

[3:34:48 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:34 p.m. Present at the call to order were Senators Wagoner, Kookesh, Menard, and Chair Olson.

SB 156-ALASKA RAILROAD LAND LEASES

[3:35:13 PM](#)

CHAIR OLSON announced the consideration of SB 156.

[3:35:18 PM](#)

DANA OWEN, staff to Senator Egan, aide to the Senate Labor and Commerce Committee, sponsor of SB 156, said the Alaska Railroad Corporation (ARC) is currently limited to 55-year terms for land leases. He said ARC was approached by developers to consider extending land lease terms to 95 years for economic reasons.

[3:36:00 PM](#)

SENATOR ELLIS arrived to the committee meeting.

SENATOR WAGONER asked if lease rates would also be set for 95 years.

MR. OWEN answered yes.

SENATOR WAGONER commented on a commercial lease he had entered into with Kenai where the lease rate was tied into the property's appraisal rate. He said he could not support a bill that allows 95-year leases without rate adjustments.

[3:38:24 PM](#)

TIM SULLIVAN, Manager-External Affairs, Alaska Railroad Corporation, said he was available for questions.

[3:39:02 PM](#)

SENATOR MENARD asked if all of the ARC Board of Directors were in agreement with the 95-year land lease proposal.

MR. SULLIVAN answered that the ARC board supports SB 156.

SENATOR MENARD asked if the ARC board unanimously agreed to support SB 156.

[3:39:57 PM](#)

MR. SULLIVAN answered that he did not know.

SENATOR MENARD said she respected the diverse ARC board membership and would like to know the amount of personal "buy in" by the board to bring SB 156 forward.

MR. SULLIVAN said Mr. Cook, an ARC board member, would answer her question.

[3:40:45 PM](#)

CHAIR OLSON commented that long-term leases without continued appraisal would put the state at a disadvantage.

[3:41:18 PM](#)

JOHN COOK, Board of Directors, Alaska Railroad Corporation said all ARC land leases are reappraised every five years and the majority of lease rates are set at 8 percent increases with higher rates for more valuable property. He said some leases have rate increase caps set at 25 to 35 percent.

He said the ARC Board of Directors unanimously endorsed extending land leases to 95 years. He said current leaseholders with significant investment stated that 55 years was not long enough to sell or finance properties with banks. He said 95-year lease options would be considered an exception and primary usage

would be on large capital investment developments. He said SB 156 would allow ARC to capitalize on more marketable properties.

[3:44:38 PM](#)

SENATOR WAGONER asked if each property was appraised and reassessed every five years.

MR. COOK answered yes and said ARC is considering providing leaseholders with more rate certainty by providing a fixed escalator lease that is brought back to level after 20 years.

SENATOR WAGONER commented that he understands the need for 95-year leases, as long as reappraisal on a regular basis was included.

[3:46:27 PM](#)

MR. COOK said all land leases include reappraisal.

[3:46:47 PM](#)

SENATOR MENARD asked what happens to leases with scheduled 8 percent increases when land appraisals decrease.

[3:47:31 PM](#)

MR. COOK answered that land appraisals rarely decline. He said fair market value and lease rates are two different things. He said ARC had a lease rate study done and 8 percent was considered a fair rate increase. He noted that he was aware of only one property with an appraisal decline and that was with Craig Taylor Equipment in Fairbanks.

[3:48:57 PM](#)

CHAIR OLSON asked how many land leases does ARC have and how many are 55 years.

MR. COOK answered that ARC has approximately 400 total leases with the majority being 35 years. He noted that new requests and renewal leases have primarily been 55 years.

[3:49:40 PM](#)

CHAIR OLSON asked how many development ventures have been cancelled due to not being able to obtain a long term lease.

MR. COOK answered that ARC was approached for developments in Ship Creek and Fairbanks with only 95-year lease terms.

[3:50:31 PM](#)

BILL HUPPRICH, Vice President-General Counsel, Alaska Railroad Corporation, said he was available to answer questions.

[3:50:42 PM](#)

CHAIR OLSON asked what he does at ARC.

MR. HUPPRICH answered that he was general counsel for ARC.

[3:51:13 PM](#)

CHAIR OLSON announced he would hold SB 156 in committee.

[3:51:33 PM](#)

There being no further business to come before the committee, Chair Olson adjourned the Senate Community and Regional Affairs Standing Committee at 3:51 p.m.