

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

March 4, 2014  
8:05 a.m.

**MEMBERS PRESENT**

Representative Gabrielle LeDoux, Co-Chair  
Representative Neal Foster  
Representative Lora Reinbold  
Representative Sam Kito III

**MEMBERS ABSENT**

Representative Benjamin Nageak, Co-Chair  
Representative Bob Herron  
Representative Kurt Olson

**COMMITTEE CALENDAR**

HOUSE BILL NO. 296

"An Act providing for certain individuals who have erected a building on land leased from the state to receive a preference right to purchase certain state land without competitive bid."

- MOVED CSHB 296(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 296

SHORT TITLE: STATE LAND DISP./LEASEHOLDER PREFERENCE

SPONSOR(S): REPRESENTATIVE(S) LEDOUX

02/03/14	(H)	READ THE FIRST TIME - REFERRALS
02/03/14	(H)	CRA, STA
03/04/14	(H)	CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

THOMAS BROWN, Staff  
Representative Gabrielle LeDoux  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking on behalf of Representative LeDoux, prime sponsor of HB 296, provided a comparison of the original bill and the proposed committee substitute (CS).

WYN MENEFEE, Chief of Operations  
Central Office  
Division of Mining, Land and Water  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing of HB 296, answered questions.

MEL GILLIS  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in favor of HB 296.

THOR STACEY, Lobbyist  
Alaska Professional Hunters Association, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in favor of HB 296.

#### **ACTION NARRATIVE**

[8:05:45 AM](#)

**CO-CHAIR GABRIELLE LEDOUX** called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Foster, Kito III, Reinbold, and LeDoux were present at the call to order.

#### **HB 296-STATE LAND DISP./LEASEHOLDER PREFERENCE**

[8:06:39 AM](#)

CO-CHAIR LEDOUX announced that the only order of business would be HOUSE BILL NO. 296, "An Act providing for certain individuals who have erected a building on land leased from the state to receive a preference right to purchase certain state land without competitive bid."

CO-CHAIR LEDOUX passed the gavel to Representative Foster.

[8:07:50 AM](#)

CO-CHAIR LEDOUX, speaking as the sponsor of HB 296, paraphrased from the following written statement [original punctuation provided]:

House Bill 296 establishes a new preference right for people holding a state lease to buy the land before the State transfers the property to a municipality.

This right is contingent upon certain conditions, chief among them that the lease-holder must have invested in the land, assembled a building on the land, and received at least 25% of their total income from the land over the preceding ten years. This right is also without a competitive bid and the land would be sold at a fair market price.

This bill is necessary to protect the livelihoods of people who have invested their time, sweat and money into businesses that often serve our unique Alaska lifestyles. After working the land for years, perhaps decades, a person should have some assurance that their efforts would be protected and be given the chance to purchase the land they had labored on for so long.

I urge you to support this bill. And with that I'll turn it over to my staff, Thomas Brown, to give more details about the bill.

[8:09:46 AM](#)

REPRESENTATIVE REINBOLD moved to adopt the proposed committee substitute (CS) for HB 296, Version 28-LS1375\U, Bullock, 2/24/14, as the working document.

REPRESENTATIVE KITO III objected for purposes of discussion.

[8:10:23 AM](#)

THOMAS BROWN, Staff, Representative Gabrielle LeDoux, Alaska State Legislature, informed the committee the purpose of HB 296 is to provide that certain individuals receive a preference right to purchase certain state land without a competitive bid. The proposed legislation would allow state land leaseholders the first right of refusal on land in which they have made investments, and on which they depend for their livelihood. Current state statutes allow for an individual to receive a preference right to purchase up to five acres of state land under certain conditions:

- a. The individual must have erected a building on the land.
- b. The land must have been used for five or more years for bona fide business purposes, under a federal permit or without the need for a permit, and, after state selection, under a state permit or lease.

- c. The business the land is used for must have produced at least 25 percent of the individual's total income for the five years preceding the application for preference right.

MR. BROWN explained that HB 296 would extend the first right of refusal to individuals who have a state-issued lease for land that is involved in a municipal entitlement selection. The preference right to purchase up to five acres of land without competitive bid would be granted under the following conditions:

1. The individual must have erected a building on the land.
2. They have used the land for bona fide business purposes for ten or more years under a state lease that was issued competitively.
3. The individual has received at least 25 percent of their total income for the ten years preceding the application for the preference right.

MR. BROWN continued to explain the specifics of the program as follows:

1. In the case of municipal entitlement selection of state land, an individual who meets the conditions previously outlined and applies for preference right within 120 days of notice of a municipal entitlement selection, will be granted a preference right to purchase the land.
2. The land will be sold at fair market value of the unimproved land, as determined by an appraisal and survey to be paid for by the applicant.
3. It also provides a mechanism by which a municipality will be compensated for the land if the leaseholder chooses to purchase it.
4. The remaining amount of land within the overall municipal entitlement will be reduced by the amount of land the leaseholder purchases, up to five acres.
5. The revenue from the purchase of the parcel will be given to the municipality.

[8:13:10 AM](#)

MR. BROWN advised there is a zero fiscal note from the Department of Natural Resources (DNR) attached to the bill. A description of the differences between the original bill and Version U was included in the committee packet, and further

reviewed by Mr. Brown, beginning on page 2, line 9, where the words "an active" were changed to "a valid." On page 2, line 10, the words "on which there is a" were replaced by "that has a." On page 2, lines 10 and 11 clarify that the state-issued land lease had been issued competitively. On page 2, line 12 clarifies that the municipal entitlement is a land selection. On page 2, line 13, the word "further" was added, and on line 14, the word "lessee" was removed. On page 2, lines 14-17 clarify the conditions under which an individual would be granted a preference right. On page 2, lines 17-19 provide for a time limit of 120 days within which to apply for a preference right. On page 2, line 19 adds the words "if the director grants the preference right." On page 2, lines 21 and 22 reference the appropriate appraisal statutes, AS 38.05.840. On page 2, line 25 references the statute that outlines how a written determination is administered. On page 2, lines 26-30 insert a provision for compensating municipalities for land purchased by a leaseholder with a preference right.

[8:15:53 AM](#)

REPRESENTATIVE KITO III inquired as to how many inholdings HB 296 might affect.

[8:16:27 AM](#)

WYN MENEFEE, Chief of Operations, Central Office, Division of Mining, Land and Water, Department of Natural Resources (DNR), said DNR anticipates that few leases would qualify for the preference by meeting all of the criteria and having a municipal entitlement selection affecting them. Statewide there are about 69 competitive leases, and the number would be reduced by the aspects of the bill. Mr. Menefee estimated that less than 10 would qualify.

REPRESENTATIVE KITO III asked if allowing a private individual or organization to purchase the land creates an access right to an inholding.

MR. MENEFEE replied no, and explained that access is an issue that is not addressed in the proposed legislation. Typically, access to parcels surrounded by state land is not an issue because there are multiple ways to obtain access such as generally allowed usage, an easement, or by a waterway. At the time surrounding land is transferred to a municipality or borough, it is unclear what access the borough will or will not allow. He advised that municipalities typically are not

interested in restricting access, thus this normally hasn't been an issue, but he would not guarantee an issue related to access would not arise.

[8:19:13 AM](#)

REPRESENTATIVE FOSTER opened public testimony.

[8:19:35 AM](#)

MEL GILLIS related his situation in which he lost his business after many years of operation on state land. He said he understood that the [Alaska] Constitution directs that land would be made available for development, and he tried to buy the land he leased from the state in 1984, where he built a nice place with permission from DNR. However, 15 years later, the municipality requested the land and the state granted its request. Mr. Gillis spent \$247,000 to save his lodge and five acres of state land. He opined the bill would prevent this situation in the future, and he urged the committee to create a way that an individual can obtain the state land that they choose, without DNR specifying what is available to them. He noted that the bill is only the first step to correct a problem with DNR.

[8:22:54 AM](#)

REPRESENTATIVE REINBOLD said Mr. Gillis' story is sad and HB 296 is a step in the right direction to help future Alaskans in their businesses and to prevent unfair actions. She expressed her hope that the state is business-friendly and "things like this don't continue to happen."

MR. GILLIS said there are no guarantees with DNR, and the American Dream in Alaska - for those who are trying to start a business in the Bush - is dead.

REPRESENTATIVE REINBOLD agreed that smaller communities need a business-friendly climate.

CO-CHAIR LEDOUX expressed her belief that the bill may not help Mr. Gillis, but will help individuals in the future.

[8:25:51 AM](#)

THOR STACEY, Lobbyist, Alaska Professional Hunters Association, Inc., informed the committee Mr. Gillis is a long-time member of the Alaska Professional Hunters Association and its board supports the concept of HB 296. Although in Mr. Gillis' case the bill is too late, there are other hunting guides who have similar issues. He advised that the association has about 120 professional members who are registered guides across the state. Alaska's guiding industry garners about \$80 million in associated economic impacts to the state, and brought in about \$55 million new dollars to the state in 2013. Fifty percent of the association's economic impact in new dollars and on employment is to rural areas outside of urban centers; for example, the rural economic development that comes with hunting operations based on leases for hunting lodges. Alaska has a diversity of hunting services, including those who obtain state land leases and make improvements to provide shelter in a harsh environment. Those service providers face a lot of business risk in terms of building in rural Alaska, and they have a general faith that the system will encourage a legal business which provides infrastructure across remotes areas of the state. Mr. Stacey pointed out that those who choose to make this investment and take this risk know there are no guarantees, however, when a government entity overlaps another and makes a selection, the improvements can suddenly be bought out underneath them. The association board sees this as a potential for injustice, and expects that the bill gives an individual a chance to fairly purchase the improvements that they have built. From the perspectives of rural economics, diversity of services, safety, and social benefits, Mr. Stacey said the association is in strong support of the bill.

[8:30:11 AM](#)

REPRESENTATIVE FOSTER, after ascertaining that no one else wished to testify, closed public testimony.

CO-CHAIR LEDOUX urged for passage of the bill.

[8:30:35 AM](#)

The committee took a brief at-ease.

[8:31:13 AM](#)

REPRESENTATIVE KITO III withdrew his objection to the adoption of CSHB 296, Version U. There being no further objection, Version U was before the committee.

8:31:23 AM

REPRESENTATIVE REINBOLD moved to report CSHB 296, Version 28-LS1375\U, Bullock, 2/24/14, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 296(CRA) was reported from the House Community and Regional Affairs Standing Committee.

8:32:21 AM

**ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:32 a.m.