

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 30, 2021

1:12 p.m.

MEMBERS PRESENT

Representative Josiah Patkotak, Chair
Representative Grier Hopkins, Vice Chair
Representative Zack Fields
Representative Calvin Schrage
Representative Sara Hannan
Representative George Rauscher
Representative Mike Cronk
Representative Ronald Gillham
Representative Tom McKay

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 98

"An Act relating to forest land use plans; relating to forest land use plan appeals; relating to negotiated timber sales; and providing for an effective date."

- MOVED CSHB 98(RES) OUT OF COMMITTEE

HOUSE BILL NO. 135

"An Act relating to geothermal resources; relating to the definition of 'geothermal resources'; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 120

"An Act relating to state land; relating to the authority of the Department of Education and Early Development to dispose of state land; relating to the authority of the Department of Transportation and Public Facilities to dispose of state land; relating to the authority of the Department of Natural Resources over certain state land; relating to the state land disposal income fund; relating to the leasing and sale of state land for commercial development; repealing establishment of recreation

ivers and recreation river corridors; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 98

SHORT TITLE: FOREST LAND USE PLANS; TIMBER SALES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	RES, FIN
03/12/21	(H)	RES AT 1:00 PM BARNES 124
03/12/21	(H)	Heard & Held
03/12/21	(H)	MINUTE(RES)
03/19/21	(H)	RES AT 1:00 PM BARNES 124
03/19/21	(H)	<Bill Hearing Canceled>
04/14/21	(H)	RES AT 1:00 PM BARNES 124
04/14/21	(H)	Heard & Held
04/14/21	(H)	MINUTE(RES)
04/19/21	(H)	RES AT 1:00 PM BARNES 124
04/19/21	(H)	Heard & Held
04/19/21	(H)	MINUTE(RES)
04/22/21	(H)	RES WAIVED PUBLIC HEARING NOTICE, RULE 23(A) UC
04/23/21	(H)	RES AT 10:30 AM BARNES 124
04/23/21	(H)	Heard & Held
04/23/21	(H)	MINUTE(RES)
04/23/21	(H)	RES AT 1:00 PM BARNES 124
04/23/21	(H)	-- MEETING CANCELED --
04/28/21	(H)	RES AT 1:00 PM BARNES 124
04/28/21	(H)	Moved CSHB 98(RES) Out of Committee
04/28/21	(H)	MINUTE(RES)
04/30/21	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 135

SHORT TITLE: GEOTHERMAL RESOURCES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/10/21	(H)	READ THE FIRST TIME - REFERRALS
03/10/21	(H)	RES, FIN
04/22/21	(H)	RES WAIVED PUBLIC HEARING NOTICE, RULE 23(A) UC
04/23/21	(H)	RES AT 10:30 AM BARNES 124
04/23/21	(H)	Heard & Held
04/23/21	(H)	MINUTE(RES)

04/23/21 (H) RES AT 1:00 PM BARNES 124
04/23/21 (H) -- MEETING CANCELED --
04/26/21 (H) RES AT 1:00 PM BARNES 124
04/26/21 (H) Heard & Held
04/26/21 (H) MINUTE (RES)
04/30/21 (H) RES AT 1:00 PM BARNES 124

BILL: HB 120

SHORT TITLE: STATE LAND SALES AND LEASES; RIVERS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/01/21 (H) READ THE FIRST TIME - REFERRALS
03/01/21 (H) RES, FIN
04/30/21 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

HAILEY PAINE, Deputy Director
Division of Oil and Gas
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 135.

STEVE MASTERMAN, Director
Division of Geological and Geophysical Surveys
Department of Natural Resources
Fairbanks, Alaska

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 135.

MARTY PARSONS, Director
Division of Mining Land and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint and answered questions during the hearing on HB 120.

DAVID SCHADE, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

POSITION STATEMENT: Co-presented a PowerPoint and answered questions during the hearing on HB 120.

ACTION NARRATIVE

[1:12:58 PM](#)

CHAIR JOSIAH PATKOTAK called the House Resources Standing Committee meeting to order at 1:12 p.m. Representatives McKay, Fields, Cronk, Schrage, Gillham, Hannan, Rauscher, Hopkins, and Patkotak were present at the call to order.

HB 98-FOREST LAND USE PLANS; TIMBER SALES

[1:13:54 PM](#)

CHAIR PATKOTAK announced that the first order of business would be HOUSE BILL NO. 98, "An Act relating to forest land use plans; relating to forest land use plan appeals; relating to negotiated timber sales; and providing for an effective date."

[1:14:13 PM](#)

REPRESENTATIVE HOPKINS [brought up reconsideration] of the vote on CSHB 98(RES). [Before the committee was the motion to report CSHB 98, Version 32-GH1607\B, Radford, 4/26/21 out of committee with individual recommendations and attached zero fiscal note].

[1:14:35 PM](#)

REPRESENTATIVE SCHRAGE asserted that the proposed legislation cuts out too much public process in support of increased production.

[1:15:37 PM](#)

A roll call vote was taken. Representatives McKay, Cronk, Rauscher, Gillham, and Patkotak voted in favor of the motion to report CSHB 98, Version 32-GH1607\B, Radford, 4/26/21 out of committee with individual recommendations and attached zero fiscal note. Representatives Fields, Hopkins, Hannan, and Schrage voted against it. Therefore, CSHB 98(RES) was reported out of the House Resources Standing Committee by a vote of 5-4.

[1:16:17 PM](#)

The committee took an at-ease from 1:16 p.m. to 1:19 p.m.

HB 135-GEOTHERMAL RESOURCES

[1:19:21 PM](#)

CHAIR PATKOTAK announced that the next order of business would be HOUSE BILL NO. 135, "An Act relating to geothermal resources; relating to the definition of 'geothermal resources'; and providing for an effective date."

[1:20:10 PM](#)

HAILEY PAINE, Deputy Director, Division of Oil and Gas (DOG), Department of Natural Resources (DNR), said DOG has sent an explanation of preferential rights to committee members.

[1:21:02 PM](#)

STEVE MASTERMAN, Director, Division of Geological and Geophysical Surveys (DGGS), Department of Natural Resources, described pictures of geothermal power plants from around the world ranging in size from 10 megawatts to 303 megawatts. He described the Hellisheiði Power Station, in Iceland, as the second-largest in the world. He said that there are two large geothermal fields in the U.S., both in California; the Salton Sea Geothermal Field in southern California has 10 power plants that have a cumulative capacity of 340 megawatts, and the Geysers Geothermal Field in northern California has 18 power plants that cumulatively generate 900 megawatts of power. He said that if Pilgrim Hot Springs was discovered to have 300 megawatts of power, a power plant suitable for the area demand would be built instead of building a plant commensurate with the size of the field.

[1:23:55 PM](#)

REPRESENTATIVE FIELDS asked whether the size of the facility correlates with the price per megawatt hour.

MR. MASTERMAN responded that a power plant on the Seward Peninsula would have a higher price per megawatt hour than one in California, due simply to its location.

[1:24:41 PM](#)

REPRESENTATIVE HANNAN read from the University of Michigan Center for Sustainable Systems factsheet [included in the committee packet] that there are 16 national laboratories and research institutions in the U.S. conducting research into geothermal energy technologies. She asked whether the University of Alaska (UA) is engaged with the research into geothermal systems.

MR. MASTERMAN answered that in the past DGGs has collaborated on a research project with the Alaska Center for Energy and Power at the University of Alaska Fairbanks.

[1:26:01 PM](#)

CHAIR PATKOTAK asked about the demand for power in the Nome area.

MR. MASTERMAN replied that Nome and the Graphite Creek Mine has a combined power consumption of approximately 12 megawatts, which is closest to [the power plant in Dieng, Indonesia], the smallest displayed on the handout.

[1:27:24 PM](#)

REPRESENTATIVE RAUSCHER asked what the temperatures of the fluid and steam are and expressed interest in the process.

MR. MASTERMAN reiterated his earlier description of geothermal energy and explained that geothermal energy is produced by hot water. At Pilgrim Hot Springs the surface water temperature is approximately 50 degrees centigrade, with the hottest temperatures encountered through drilling of 92 degrees centigrade at 120 meters deep. He said that the chemistry of the fluids suggests the geothermal reservoir has a temperature of 150 degrees centigrade, but that temperature hasn't yet been found by drilling.

[1:30:15 PM](#)

CHAIR PATKOTAK announced that HB 135 was held over.

HB 120-STATE LAND SALES AND LEASES; RIVERS

[Contains discussion of SB 97]

[1:30:27 PM](#)

CHAIR PATKOTAK announced that the final order of business would be HOUSE BILL NO. 120, "An Act relating to state land; relating to the authority of the Department of Education and Early Development to dispose of state land; relating to the authority of the Department of Transportation and Public Facilities to dispose of state land; relating to the authority of the Department of Natural Resources over certain state land;

relating to the state land disposal income fund; relating to the leasing and sale of state land for commercial development; repealing establishment of recreation rivers and recreation river corridors; and providing for an effective date."

[1:31:01 PM](#)

The committee took a brief at-ease at 1:31 p.m.

[1:31:45 PM](#)

REPRESENTATIVE RAUSCHER moved to adopt the proposed committee substitute (CS) for HB 120, Version 32-GH1634\B, Radford, 4/23/21 ("Version B"), as the working document.

[1:31:59 PM](#)

CHAIR PATKOTAK objected for purposes of discussion and noted that this is a conforming change to match the companion bill, SB 97. He then removed his objection. There being no further objection, Version B was before the committee.

[1:32:23 PM](#)

MARTY PARSONS, Director, Division of Mining Land and Water, Department of Natural Resources (DNR), presented a PowerPoint [hard copy included in the committee packet] on HB 120, which he explained is an attempt by the Dunleavy Administration to "get Alaska lands into Alaskans' hands." He said that Version B has removed from the original bill version some of the issues he characterized as "controversial." He presented slide 2, "Authority to DEED and DOT&PF," which read as follows [original punctuation provided]:

Authority to DOT&PF and DEED to Dispose of State Land

Provides authority to ease disposal of excess
buildings around the state

- The bill amends current statutes to allow DOT&PF and DEED to acquire and transfer excess buildings and land that is no longer needed for the purposes of the original acquisition
- This will streamline the disposal process and reduce multi-agency efforts

MR. PARSONS explained that Title 38, under which DNR operates, currently allows the Department of Transportation & Public

Facilities (DOT&PF) and the Department of Education and Early Development (DEED) to dispose of lands previously procured for a specific purpose directly instead of conveying them to DNR; he stressed that this would only be for lands conveyed to DEED or DOT&PF for a specific purpose. The provisions for land disposal exist under the statutes governing DNR, he explained, but not under the statutes governing DEED or DOT&PF. He reiterated that Version B of HB 120 would simply "harmonize" the statutes.

[1:34:55 PM](#)

CHAIR PATKOTAK asked Mr. Parsons to discuss the changes in Version B.

MR. PARSONS explained that the original language of HB 120 would have repealed the statutes establishing the Susitna Basin Recreation Rivers Management Plan, adopted in the late 1980s. The language, he said, became a controversial issue with groups using that area. He said that Version B also clarified portions of Section 14.

[1:36:37 PM](#)

REPRESENTATIVE HANNAN expressed her understanding that properties held by DEED are finite and asked about the number of buildings and parcels of raw land. She said that, since DEED properties are in communities, she would prefer to allow a local government or school district the right of first refusal in purchasing the property.

MR. PARSONS replied that Representative Hannan's assumption was correct; DNR has identified five properties deeded to DEED with locations in Fort Yukon, Wales, Shishmaref, and Teller. He noted that the properties in Sitka for the Mt. Edgecumbe school have already been disposed. He clarified that DEED would determine how best to dispose of the remaining properties.

REPRESENTATIVE HANNAN asked whether all five properties include buildings.

MR. PARSONS replied that he believes they do, but he would verify.

[1:39:36 PM](#)

REPRESENTATIVE FIELDS asked whether there are larger DOT&PF parcels, and if so, their locations. He noted that the

provisions in Sections 5, 6, and 8-11 would affect DNR lands such as the Hatcher Pass area, and said he would like to see a map of land affected by the provisions under HB 120 and how current uses could be impacted.

CHAIR PATKOTAK expressed that it would be helpful to understand any statewide effects under the proposed legislation, as well as getting detailed information on any areas of special interest.

REPRESENTATIVE FIELDS asked Mr. Parsons to explain the thought process regarding the location of parcels for disposal in relation to lands used for recreation.

MR. PARSONS asked Representative Fields whether he was referencing DOT&PF or general state lands.

REPRESENTATIVE FIELDS replied, "More broadly."

MR. PARSONS stressed that the lands identified for disposal are DOT&PF [or DEED] lands that were acquired only for specific purposes. He said that if DOT&PF had done a prescriptive action to take over a certain parcel, and then found there was no longer an identified purpose for that parcel, DOT&PF would have the opportunity to dispose of the parcel through its own statutes instead of conveying it to DNR for processing and disposal. He clarified that HB 120 would remove the "red tape."

REPRESENTATIVE FIELDS noted that he may have misunderstood the intent of the bill and expressed his understanding that Hatcher Pass wouldn't be affected under HB 120.

MR. PARSONS said, "That is correct."

[1:44:30 PM](#)

REPRESENTATIVE RAUSCHER asked whether concerns such as asbestos remediation were considered in identifying buildings for disposal.

MR. PARSONS reiterated his earlier explanation of HB 120 and stressed that only five parcels have been identified for disposal. He said that DEED may be able to provide a larger list of buildings, but those would not be part of the provisions under HB 120.

[1:46:46 PM](#)

MR. PARSONS continued his presentation with slide 3, "Land Disposal Income Fund (LDIF)," which read as follows [original punctuation provided]:

Increase Land Disposal Income Fund (LDIF) Cap

Increase spending authority from the LDIF for project development

The cap on the LDIF is proposed to be increased from \$5M to \$12M to provide additional capital for the department to develop and dispose of state lands and to offset inflation since the fund was established in 2000

- The \$5M cap has not been adjusted in 20 years
- Personnel and Development costs have increased significantly, reducing the available "working capital"
- This will result in more acreage available for sale and construction of access
- This is not an increase in appropriation simply an adjustment to the funding cap

[1:48:42 PM](#)

REPRESENTATIVE HANNAN asked, "The land disposal income fund has been considered a 'sweepable fund,' correct?"

MR. PARSONS replied, "That is correct."

REPRESENTATIVE HANNAN noted that she understands the reason for increasing the fund and asked whether it has generally held enough to fund the land disposal program.

MR. PARSONS responded that land sales currently produce a little over \$5 million annually. He explained that several projects have been deferred because DNR currently doesn't have the ability to build infrastructure and comply with the planning authorities of local municipalities, which would be necessary to bring higher value land into the market. He said that increasing the fund cap would allow DNR to fund larger, more expensive projects.

[1:50:40 PM](#)

CHAIR PATKOTAK asked how much excess the fund has held for each of the past five fiscal years.

MR. PARSONS replied that he would get that information, as well as provide a list of projects deferred due to the low funding cap.

[1:51:16 PM](#)

REPRESENTATIVE SCHRAGE asked whether the working capital is funded through the land sales or an appropriation.

MR. PARSONS responded that the fund is not an appropriation.

REPRESENTATIVE SCHRAGE asked about the public process for deciding to develop a piece of property with the intent to sell.

MR. PARSONS replied that DNR has developed a process by which factors such as infrastructure needs and cost, comparable land sales, appraisal, and design are considered. If the cost-benefit analysis for developing the land is positive, a preliminary decision is distributed to the public, as well as state and local agencies and tribal governments, for input. After the public process, he explained, the plan is amended, a final decision is made, and work begins.

REPRESENTATIVE SCHRAGE asked whether DNR would require a specific rate of return on a project in order to begin development.

MR. PARSONS replied that if the expected fair market value could recoup the cost of development, the project would most likely go through.

[1:55:48 PM](#)

CHAIR PATKOTAK asked to see the policy for the public process.

[1:56:04 PM](#)

REPRESENTATIVE HOPKINS asked whether the process Mr. Parsons described was used to develop and sell the agricultural land outside of Nenana.

MR. PARSONS replied that the Nenana land underwent a different process and indicated that [Division of Agriculture] Director Dave Schade would have more information.

[1:56:50 PM](#)

REPRESENTATIVE SCHRAGE noted that adjusting the \$5 million cap for inflation would add only \$2.5 million. He asked, "Is there that substantial of a backlog of properties that need investment to bring them to sale? Why do you need the additional \$4.5 million?"

MR. PARSONS reiterated his explanation that DNR is also trying to ensure the ability to undergo future projects. He said that projects often have road construction requirements stipulated by the municipalities or boroughs which could include ingress and egress for emergencies, emergency equipment for evacuation, two-lane roads, and electrical infrastructure; the costs of such infrastructure requirements can be "rather high."

[1:59:48 PM](#)

MR. PARSONS resumed the PowerPoint presentation with slide 4, "Commercial Use," which read as follows [original punctuation provided]:

Commercial Use Land Sales

This new statute governing the leasing and sale of state lands deemed suitable for commercial development, within Qualified Opportunity Zones or in state determined commercial development areas

- Land can be nominated by the public
- Leasing option to complete requirements for sale and allow immediate commercial activity
- After conclusion of the lease requirements for sale will occur
- Individuals have requested a program to allow for such sales
- The number of acres identified for proposed development will be significant and the number of acres conveyed will depend on the proposals received

MR. PARSONS explained that this idea was borne by the need for small entrepreneurs to have land on which to base their operations without having to go through a competitive bidding process. He said that DNR would work with a business on a development plan and enter into a lease, with the goal of selling the land to the business as it grows. He stressed that this program would be for commercial use only, with the intention of diversifying the economy, rather than for recreational use.

[2:02:42 PM](#)

REPRESENTATIVE HANNAN asked for more information on the process.

MR. PARSONS described two ways in which the proposed program could operate. In the first scenario, he said, a business could identify a parcel of land, approach DNR with a development idea, lease the land from DNR at fair market value, and at the end of the lease, if the business has developed and the land is being used as planned, the lease could be converted to a sale. In the second scenario, he said, DNR could identify lands and solicit ideas for their commercial use; if multiple businesses wanted the same land, options would be evaluated for highest return to the state.

[2:05:04 PM](#)

REPRESENTATIVE RAUSCHER asked who pays for the land appraisal.

MR. PARSONS replied that the individual or business would be responsible for the survey and appraisal.

[2:05:55 PM](#)

CHAIR PATKOTAK stated his understanding that the business would be responsible for the survey and appraisal costs when going through the commercial nomination process.

MR. PARSONS replied, "That is correct."

CHAIR PATKOTAK asked, "So in the other process, the state might carry the bill on the appraisal when it goes to competitive bid?"

MR. PARSONS explained that if the state offered a parcel of land and multiple businesses could make use of the land with no overlap, each would be responsible for the appraisal cost of its own acreage. If multiple organizations wanted the same acreage, then the land would go to the highest bidder, who then would be responsible for the survey and appraisal. If DNR offered a discrete parcel, then the survey and appraisal would be done before the land was made available.

[2:07:17 PM](#)

REPRESENTATIVE RAUSCHER asked whether these parameters are in the proposed legislation.

MR. PARSONS said that it's his recollection that the language is in HB 120.

CHAIR PATKOTAK noted that this issue would need clarification.

[2:07:47 PM](#)

REPRESENTATIVE HOPKINS asked how the state would determine that an appraisal is accurate.

MR. PARSONS responded that DNR would provide instructions on what the appraisal would need to include.

REPRESENTATIVE HOPKINS asked how DNR would know that an appraisal is legitimate.

MR. PARSONS responded that the in-house appraisal staff at DNR reviews all of the appraisals to ensure the development standards are met.

CHAIR PATKOTAK stated his belief that Representative Hopkins' question was intended to clarify checks and balances to ensure a fair assessment.

[2:09:35 PM](#)

REPRESENTATIVE SCHRAGE asked to what extent the state would be covering costs that should be paid by the developer, and whether the costs could include building a road to access the property or putting in infrastructure which would benefit the developer.

MR. PARSONS replied that it depends on the program. Under the land disposal program, if the state is selling individual parcels in a subdivision, then in order for the state to meet the requirements of borough planning boards, the state, as the developer, would commonly be required to establish infrastructure such as roads, subdividing the parcels, and bringing in electricity. When an individual lot is purchased, the buyer would be responsible for things like clearing the lots, building driveways, and running water and power. Under the commercial use program, however, he said that the state doesn't guarantee any type of constructive access.

REPRESENTATIVE SCHRAGE asked whether a property would go through a competitive bidding process after having been nominated by a private individual.

MR. PARSONS said that under the commercial use program a person or business could identify a property for commercial use, provide DNR with a development plan, enter into a lease, develop the land with state monitoring, and have the opportunity to convert the lease to a sale without going through the competitive bidding process.

[2:13:14 PM](#)

CHAIR PATKOTAK asked whether it would be possible to bypass the lease and buy the land directly.

MR. PARSONS said that under this program, they would go to a lease first and then the sale. He explained that DNR would want to ensure that the property isn't being used for speculation; as the intention of the commercial use program is to expand economic diversity, leasing allows the state to make sure the land is used in accordance with that intention.

CHAIR PATKOTAK asked whether there's a minimum lease length before the opportunity to purchase.

MR. PARSONS said that while there is no limitation in the proposed legislation, regulations could be implemented.

[2:15:03 PM](#)

REPRESENTATIVE RAUSCHER asked whether the state could deny a proposal based on the appraised value.

MR. PARSONS explained that an appraisal determines the value of the land.

REPRESENTATIVE RAUSCHER asked, "Wouldn't you want to get your use accepted before you put all the money into the survey and the estimate of the land instead of having it all at once, so that the state now, actually, gets a free estimate if they turn down your usage?"

MR. PARSONS replied that someone who was nominating a parcel of land would have a reasonable expectation that their proposal would be accepted. He said, "I wouldn't assume that someone would go out, survey, and have a land appraised and then come to

the state, and that would be the first time they start talking about what they want to do." He further explained that there would have been conversations as part of due diligence regarding areas such as land classifications or use restrictions. He said, "I'm envisioning quite a dialogue prior to getting to the point where an individual would go out and survey and appraise the land."

[2:18:12 PM](#)

REPRESENTATIVE HOPKINS read from slide 4 of Mr. Parson's presentation, "The number of acres identified for proposed development will be significant and the number of acres conveyed will depend on the proposals received" and asked for a definition of "significant." He then asked whether there are any types of lands currently designated as "opportunity zones" or otherwise unavailable for the commercial use program.

MR. PARSONS responded that lands set aside as legislative designated areas (LDAs) wouldn't be available, and that possible uses of land already being used for things like subsurface exploration would have to be carefully considered. He said that if a parcel of land is not classified for disposal there would need to be a reclassification.

REPRESENTATIVE HOPKINS asked whether the process for reclassifying the land is legislative or administrative.

MR. PARSONS answered that it's administrative and goes through public process.

[2:21:10 PM](#)

REPRESENTATIVE MCKAY stated his assumption that the parcels are checked for archaeological remnants and ancient graveyards.

MR. PARSONS replied that checking for historical significance is always part of the process before any state land conveyances.

[2:22:14 PM](#)

REPRESENTATIVE HANNAN said that shellfish farms have been operated for 30 years, and when they were first established, the general consensus was that commercial enterprises shouldn't be able to hold long-term leases to beachfront land. She asked whether a current leaseholder of developed land would be able to convert their lease to a sale.

MR. PARSONS clarified that the commercial use program is for uplands only, and that the state is prohibited from conveying tidelands or submerged lands to any entity other than a municipality. He said that if someone already had a lease, another entity couldn't take that away from them.

REPRESENTATIVE HANNAN said that she understands that the shellfish themselves are on the tidelands but that commercial shellfish farms have uplands permits for things like onsite living quarters. She asked whether a commercial shellfish farmer would be able to purchase the upland currently under lease.

MR. PARSONS explained that justification of commercial use, such as processing or transportation, would need to be provided.

[2:26:26 PM](#)

REPRESENTATIVE SCHRAGE asked whether a lease converted to a sale could then be resold for non-commercial use.

MR. PARSONS replied that once the land was conveyed from the state there would no longer be a stipulation on the parcel that restricted it for commercial use.

CHAIR PATKOTAK asked whether existing leases, when expiring, could be transferred to sales.

MR. PARSONS responded that upon expiration, a current lease could be converted into a lease under the commercial use program, and the land could subsequently be purchased at the end of that lease.

CHAIR PATKOTAK asked Mr. Parsons to clarify whether a current leaseholder would have to wait until expiration of the lease, then enter into a new lease under the commercial use program, and only then at the end of that lease have the option to buy the land. He said that a leaseholder may have been more conservative than an owner in developing the land.

MR. PARSONS responded that the state could terminate the existing lease and enter into a new lease under the commercial use program, so that the entrepreneurial activities are protected. He stressed that it's not the intent of the program to effectively kick someone off of the land they've been developing, and that DNR would work to convert an existing lease

to a commercial use program lease given an appropriate development plan.

[2:30:32 PM](#)

DAVID SCHADE, Director, Division of Agriculture, Department of Natural Resources, began his portion of the PowerPoint with slide 5, "Agriculture Lands," which read as follows [original punctuation provided]:

Reduced Restrictions to Agricultural Land Disposals

Statutes are modified to reduce restrictions on agricultural land to private ownership

- Reduces parcel size from a minimum of 40 acres to 20 acres when subdividing
- Increases the number of parcels from a maximum of four parcels to eight parcels when subdividing
- Allows for land use and improvements, including those that do not limit the primary use for agricultural purposes

MR. SCHADE explained that HB 120 would allow both use of and improvements on agriculture covenanted land to include modern revenue-generating activities that don't impede on its primary use as an agriculture operation; for example, he said, a farmer could open a bed and breakfast or put in a cell tower. He explained that the reading of the statute by the Department of Law (DOL) has determined that not only are those activities currently disallowed, but farming operations are also limited in how large tracts of land may be parceled, limiting the acreage to four parcels with a minimum of 40 acres each. Under HB 120, he said, large operations would be allowed to have eight parcels of 20 acres or more, and parcels of between five and 20 acres would be allowed to establish ancillary activities such as a tractor dealership, allowing for infrastructure opportunities. He characterized the proposed legislation as attempting to make agricultural lands more user-friendly while increasing agricultural use.

[2:34:22 PM](#)

REPRESENTATIVE HANNAN asked whether the statute would require agriculture activities be ongoing while operating non-farming activities.

MR. SCHADE explained that agricultural covenants require agriculture activities to continue. Because of the limitations on other activities, he said, it's been difficult to enforce the covenants. He said that the first step is to clarify what the allowable uses would be, then take on a more active role in covenant enforcement.

REPRESENTATIVE HANNAN asked how an allowable use is determined.

MR. SCHADE replied, "You're asking the million dollar question, it's the one we struggle with: What level of agriculture is agriculture?" He said that one of the reasons for allowing ancillary uses on the smaller parcels is to keep the traditional, larger farming enterprises on the large parcels. He expressed strong support for the 20-acre minimum to allow for crop rotation in traditional agriculture. He said that if HB 120 passes, it would be incumbent on DNR to write regulations clarifying the metrics of ancillary and non-farm uses.

[2:38:31 PM](#)

MR. PARSONS resumed the PowerPoint with slide 6, "Development," which read as follows [original punctuation provided]:

Road Development and Minimum Lot Size Standards

The bill clarifies statutes relating to the development of roads and minimum lot size standards

- Provides statute language to ensure State land disposals are held to the same platting and zoning requirements as all municipal projects for both lot size and constructed access

MR. PARSONS explained that this section of the proposed legislation is intended to allow the state to be held to the same standards as a private developer when developing lands within the boundaries of the organized boroughs of municipalities. If a private developer was allowed to build roads to a collector standard, he said, the state couldn't be required to build roads to the more costly arterial standard, with wider shoulders and different drainage structures. He noted that this agreement was reached with the cooperation of the Alaska Municipal League.

[2:40:49 PM](#)

REPRESENTATIVE HANNAN asked for the location of that language in the bill.

MR. PARSONS replied that it is in Section 2, on page 3, lines 17-29. Section 2 read as follows:

Sec. 2. AS 19.30.080 is amended to read:

Sec. 19.30.080. Construction standards and maintenance. An access road constructed under AS 19.30.060 - 19.30.100 shall be of low standard, not necessarily suitable for all weather use. The state is not under obligation to maintain an access road constructed under AS 19.30.060 - 19.30.100. If an access road is constructed outside a municipality that has zoning ordinances, the right-of-way width for the road shall be determined by the division of lands and the Department of Transportation and Public Facilities. If an access road under AS 19.30.060 - 19.30.100 is constructed within the boundaries of a municipality that has zoning ordinances, the right-of-way width for the road shall be consistent with, but not in excess of, a municipal road project's right-of-way [CONFORM TO THE SUBDIVISION CONTROL ORDINANCES OF THE MUNICIPALITY]. Contracts for the work on an access road are governed by AS 36.30 (State Procurement Code).

[2:41:26 PM](#)

MR. PARSONS presented slide 7, "Additional Sales and Authorities," which read as follows [original punctuation provided]:

Additional Sale Authorities

Provides for ease of Land Sales purchase contracts and clarification

- Modifies auction requirements for easier administration of land offerings
 - o Allows for more modern sale options, including online auctions
- Increases max contract term to 30 years
 - o Currently capped at 20 years
 - o Allows for longer financing of higher value parcels

- Language referencing "foreclosure" is modified to "termination" to align with the current administrative process

MR. PARSONS explained that slide 7 highlighted the "cleanup language" in the proposed legislation.

[2:43:42 PM](#)

REPRESENTATIVE SCHRAGE asked whether there would be a way for residents without Internet access to participate in an auction.

MR. PARSONS responded that at this time DNR is not set up to conduct online-only auctions; the current system is to have an auction, with any lands unsold moved to an "over-the-counter" sale. He said that it's those lands that could be put up for online auction.

CHAIR PATKOTAK noted that it would be preferable to have a paper system remain available.

REPRESENTATIVE SCHRAGE asked whether HB 120 could potentially allow a system of online-only auctions.

MR. PARSONS replied, "I believe that would be a possibility."

[2:45:33 PM](#)

CHAIR PATKOTAK announced that HB 120 was held over.

[2:46:27 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:46 p.m.