

Higher
Ed - Sub
Comm.

ROBERT W. HIATT
PRESIDENT



UNIVERSITY OF ALASKA
OFFICE OF THE PRESIDENT
FAIRBANKS, ALASKA 99701

March 4, 1975

Mr. Rich Guthrie
Fiscal Analyst
Legislative Budget and Audit Committee
Pouch WF
Juneau, Alaska

File - Higher Education Committee

Dear Rich:

On 28 February Don Dafoe replied to an inquiry by you relating to AMU physical assets.

The AMU Trustees' Committee made a proposal to the Board of Regents and the Board replied after sitting as a full Board. These documents are enclosed. This is the latest in negotiating events. I am also enclosing for your use and distribution as you see fit a synopsis of the AMU land purchases from BLM. As you can see, a total of \$102,000 was paid for 505 acres. The State paid them \$2,000,000 for 186 of those acres in 1972.

As to Bob Bradley's questions:

Actual amt. of Bond-HUD? discount if U of A takes over, because AMU going insolvent?

1. There is a federal involvement (HUD) in the financing of AMU facilities. The indenture, arrears interest payments and penalties are listed in their proposal. We are checking with HUD to verify their accuracy and to learn whether HUD would be willing to shift these debts to the University of Alaska. *How about for prob. any*
2. There is an amendment applicable to all parcels of AMU lands which requires their dedication in perpetuity for educational, recreational or health uses. This was placed on record when the State made the \$2,000,000 land purchase in 1972.

Guthrie, Mr. Rich

-2-

March 4, 1975

3. Independent appraisals of the AMU properties have been completed. We are not privy to AMU's appraisal, but ours is appended. We are now requesting an appraisal on "deferred maintenance" and on furniture and fixtures.

I should note that the land appraisals have been made on the basis of commercial values, for this is about the only basis available to appraisers. Naturally, lands dedicated for restricted uses, such as these, will be actually valued at a far lesser amount.

I probably will be in Juneau next week and would be pleased to meet with Bob Bradley and others on this or other matters. Please give him copies of the materials enclosed.

Best personal regards,

Sincerely,



Robert W. Hiatt
President

RWH:dm
Enclosures

ORIGINAL VALUES & AMOUNT PAID FOR ANU LANDS

(INFO FROM BLM ANK. FILES)

<u>PATENT NO.</u>	<u>ACREAGE</u>	<u>APPRAISED</u>	<u>DISC. ALLOWED</u>	<u>PAID</u>	<u>\$/ACRE</u>
1150278* November 28, 1958	242.5	\$ 36,375.00	68%	\$11,640.00	\$ 48.00
(1188433) same date <i>Expires: 1983</i>		\$ 150.00 acre			
50-64-0186* June 2, 1964	227.5	\$204,750.00 \$ 900.00 acre	70%	\$61,425.00	\$ 270.00
50-64-0187* June 2, 1964	35	\$ 58,975.00 \$ 1,685.00 acre	50%	\$29,500.00	\$ 842.85
<u>Total appraised</u>	505 A	\$302,105.00		\$ 598.21/acre	
<u>Total paid</u>	505 A	\$102,565.00	66%	\$ 203.10/acre	

*What's this 1??
Why 0??*

Four

Four

Note →

Note →

REFERENCE: ANU Real Estate ^{Map} produced by Tryrk, Nyman & Hays on file in University of Alaska Planning files.

These are patents to the land and therefore title is held by ANU and they can sell or lease as long as they do not violate the restrictive clauses. The '58 patent has a re-issue (PAT.1188433), but the original was not cancelled, so there are two patents for the same land.

- * Reverter clause expires at end of 25 years from issue.
- * Reverter clause runs in perpetuity.

Why not pay the commercial value less this amt.?

March 3, 1975

TO: Alaska Methodist University Trustees' Committee

FROM: University of Alaska Board of Regents

RE: Responses to AMU Trustees' Draft Memorandum of Agreement
Concerning the Sale of the AMU Campus, Buildings, Furniture and
Fixtures

The Board of Regents met on Friday, 28 February to review and respond to the draft Memorandum of Agreement (MOA) concerning the sale of the AMU campus, buildings and certain personal property at Anchorage submitted by the Reverend Ac C. Wischmeier to Mr. Robert McFarland, President of the Board of Regents of the University of Alaska.

The Board concurred on certain important basic approaches with respect to this transaction which provided direction for specific responses to points made in the draft MOA. These are herewith noted and form a preamble to the specific responses detailed later.

The transactions between Alaska Methodist University and the University of Alaska being entered into now differ fundamentally from those resulting in the purchase of AMU lands in 1972. The 1972 land purchase was the most convenient vehicle available to the State of Alaska for providing major substantive financial aid to AMU for the express purpose of maintaining AMU as a viable institution so that it might continue to provide Alaskans seeking post-high school education a choice between public and private educational delivery systems. Because of this objective, the land involved was priced and acquired at near or at its "fair market value" without patent restrictions.

The current transaction is not involved with the maintenance of AMU as an institutional alternative to public higher education in Alaska, but rather one which will enable AMU to close its operations, pay its incurred debts and ostensibly establish an organization with any remaining funds, the nature of which is yet unknown but which will in some manner benefit higher education in Alaska. The resulting organization, presumably will be eleemosynary.

The AMU campus lands are dedicated in perpetuity for educational, recreational or health purposes. They were given to AMU without fee for educational purposes. Thus, although the appraisers had no choice but to value the lands on the basis of current commercial transactions in the vicinity and to assume that there was no restriction on the title, the Regents feel that a token payment should be negotiated for said lands.

March 3, 1975

Alaska Methodist University Trustees' Committee/ University of Alaska Board of Regents
..2-

The Regents wish to make clear to the AMU Trustees that the amount and schedule of payments are the prerogative of the Legislature and the Governor. To effect this transaction in the most expeditious and timely manner the Regents and the Trustees should present to these State governmental bodies an agreed program fully and jointly supported. The President of the Board of Regents, Mr. McFarland, invites your Trustees' Committee to meet with the Regents' Committee at the earliest date possible following receipt of this response to the draft MOA.

Herewith are the specific responses to the numbered points set forth in the draft MOA.

1. The Regents are willing to negotiate an excepted parcel of land for AMU use, but not necessarily the parcels specified in the draft MOA. An explanation of uses to be made of the property and choices of location can be presented for resolution at the joint negotiating Committee meeting.
2. Acceptable.
3. The Regents are agreeable to negotiating a total sum for the campus and buildings based upon (1) a fair appraisal of the buildings which has taken into consideration their deferred maintenance; (2) a fair appraisal of furniture, fixtures and other personal property; and (3) a sum which is based upon a token payment for land dedicated to educational use.
 - 3a. Acceptable, depending upon legislative appropriation.
 - 3b. Acceptable dependent upon the Regents' negotiations with HUD concerning the now delinquent sums. Should the Regents be unable to negotiate any or all of these delinquent sums with HUD, such sums would have to be deducted from the specified down payment of \$3,000,000.
 - 3c. Acceptable, but subject to legislative approval.
4. Acceptable in principle. The Regents' appraiser has not considered these items, but will do so when a schedule of said items is prepared.

1975

- 5. Schedule of payments will depend upon legislative approval. Because an eleemosynary organization is contemplated with the sale's net proceeds, the Regents believe a prime rate of interest improper, and will agree instead to a rate of 5 per cent subject to legislative approval.
- 6. Acceptable.
- 7. Acceptable providing the Alaskana library is not part of the Consortium Library collection already purchased and owned by the University of Alaska.
- 8. Retention of office space specified in Grant Hall is not acceptable. Should furniture, fixtures and office equipment presently located in such offices not be involved in the sale, the schedule of appraisals should clearly omit it.

The Regents would consider the rental of space to the AMU successor organization in locations and under conditions agreeable to the Administration of the University of Alaska.

- 9. This proviso is not acceptable for inclusion in this MOA. The joint Administrations are now planning for the transfer of selected personnel, programs and other important aspects, such as student records, from AMU to the University of Alaska. This matter will be included in that transaction.

Acceptable.

With the deletion of the last two sentences referring to "arbitration," this point is acceptable.

(Board of Regents' statement re litigation) AMU will hold UA harmless for any litigation or liability arising in relation to the operation of AMU or arising prior to the transfer of possession of the premises to UA.

Acceptable.

Robert W. Hiatt

Robert W. Hiatt
Executive Officer of the Board of Regents

*All they
specify is
students & teachers
from the
land &
if so they (adm.) have
advantage over
regents*

RWH:drt

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement is made the ____ day of March, 1975, by and between the University of Alaska (hereinafter UA) and Alaska Methodist University (hereinafter AMU).

W I T N E S S E T H:

WHEREAS, AMU is willing to sell its campus and buildings and certain personal property at Anchorage, Alaska; and

WHEREAS, UA is desirous of purchasing said campus, buildings and personal property;

NOW, THEREFORE, the parties agree as follows:

1. AMU agrees to convey to UA in fee simple absolute its entire campus at Anchorage, Alaska, with the exception of the following described parcels:

Parcel No. 1

The West half (W 1/2) of the North half (N 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 2

The West half (W 1/2) of the Northeast quarter (NE 1/4) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 3

The South half (S 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 4

The Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

85/3
5/2/78



Parcel No. 5

All that portion south of University Drive of the North half (N 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

The land which is agreed to be conveyed hereby, excluding the above-described parcels, contains approximately 265 acres and is more fully described as follows:

Parcel No. 1

The East quarter (E 1/4) of the Northeast quarter (NE 1/4) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 2

The East half (E 1/2) of the East half (E 1/2) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 3

The North half (N 1/2) of the South half (S 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 4

The South half (S 1/2) of the South half (S 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 5

The South half (S 1/2) of the South half (S 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 6

The North half (N 1/2) of the South half (S 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 7

The North half (N 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 8

The Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 9

The North half (N 1/2) of the Southwest quarter (SW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 10

The South half (S 1/2) of the Southwest quarter (SW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 11

The East half (E 1/2) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 12

The South half (S 1/2) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 13

The Northwest quarter (NW 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 14

The South half (S 1/2) of the Northeast quarter (NE 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 15

The Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 16

All that portion south of University Drive of the North half (N 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 17

All that portion south of University Drive of the Northwest quarter (NW 1/4) of the Southeast quarter (SE 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

2. AMU agrees to transfer to UA all improvements on said real property. The buildings include the following:

- a. Gould Hall
- b. Grant Hall
- c. Campus Center Buildings
- d. Behavioral Science Building
- e. Faculty housing (9 units)
- f. Maintenance and storage buildings

3. UA agrees to pay the sum of \$20,000,000.00 for the above-listed real property and improvements. The terms of said payment shall be as follows:

- a. The sum of \$3,000,000.00 as a down payment. Said down payment shall be reduced by the sum of the obligations for salary at current AMU rates assumed by UA as a result of the termination by AMU of its faculty contracts due to the closure of AMU and the employment by UA of some or all of the AMU faculty. The exact sum of said obligation shall be determined prior to May 1, 1975, by the joint UA-AMU administrative task force subject to the approval of the Presidents of the two Universities and shall be limited to the salary obligations at current AMU rates for faculty actually employed by UA for the 1975-1976 school year.

b. UA shall assume AMU's rights and obligations under that certain Indenture dated October 1, 1972, between AMU and the First National Bank of Anchorage, as Trustee, and under that certain Indenture dated April 1, 1966, between AMU and the First National Bank of Anchorage, as Trustee. The said Indentures have a principal balance of \$2,721,000.00, of which principal balance the sum of \$100,000.00 is presently in arrears. The additional sum of \$250,000.00 is presently due and owing under said Indentures, which sum includes \$95,000.00 interest in accordance with the payment schedules under said Indentures, \$140,000.00 deficiency in the sinking fund provided for in said Indentures, and the sum of \$15,000.00 in miscellaneous interest and penalties under said Indentures. UA agrees to assume all of said principal, interest and penalty obligations and bring all arrearages current. It is understood by the parties that the concurrence of the Trustee and the bond holder under said Indentures will be required prior to the assumption by UA of AMU's obligations under said Indentures. The parties agree to jointly approach said Trustee and bond holder to secure their approval to the assumption. The purchase price set out hereinabove shall be reduced by the amount of the assumed indebtedness under said Indentures.

*What a push
on the part of*

②. The first installment of the down payment shall be due on or before April 1, 1975 and shall be the sum of \$1,000,000.00. The balance of said down payment shall be due on July 1, 1975.

4. AMU shall, in addition, sell to UA furniture, fixtures and other personal property for the additional sum of \$800,000.00. Schedules of said furniture, fixtures and other

personal property shall be prepared and affixed to this agreement as exhibits. The parties understand that certain personal property may be subject to restrictions in the applicable deed of gift and AMU may therefore be required to retain said property.

5. The balance due of the purchase price shall be paid in equal annual installments commencing on the 1st day of July, 1976, and continuing annually thereafter on the 1st day of July until the total purchase price, together with interest at the rate of 8.5% per annum on the unpaid balance, is paid in full.

6. The unpaid balance due under the terms of this agreement shall be evidenced by a promissory note which shall be secured by an appropriate deed of trust on the real property and improvements transferred hereby and by an appropriate security agreement covering the personal property transferred hereby. The deed of trust and security agreement shall be superior to all other security interests in said real and personal property with the exception only of the Indentures described in paragraph 3(b) hereinabove. The deed of trust and security agreement shall provide for a minimum of six months within which any default under said deed of trust and security agreement may be cured by UA.

✓ 7. AMU shall retain its art collection and its Alaskan library.

8. AMU shall retain office space in Grant Hall. The office space retained shall be the southwest corner of Grant Hall from the present front counter to the west side of Grant Hall and from the south side of Grant Hall to the boiler room, (executive and business suite) together with three offices on the east side of the main hall on the first floor of Grant Hall, which offices presently contain the University Development Offices, Grants office and the institutional research office. AMU shall lease

all of said offices from UA for an annual rental of \$1.00 per year. AMU shall retain title to the furniture, fixtures and office equipment presently located in said offices.

9. UA agrees to hire *Mrs. Brooks* the present AMU registrar on a permanent basis to maintain the AMU student records.

10. The parties through the negotiating committees, the Board of Regents and Board of Trustees respectively, and through the parties' legal counsel shall ~~cooperate fully in~~ securing approval of the sale by the Legislature of the State of Alaska and by the United States Department of the Interior. Both parties agree to use their best efforts to promptly secure the approval of both of said agencies.

11. The details regarding the implementation of the transfer of the property and improvements of AMU to UA shall be negotiated by the joint AMU/UA administrative task force subject to the approval of the Presidents of the two institutions. Any dispute which cannot be finally resolved between those groups shall be submitted to the sale negotiating committees appointed by the Regents and Trustees of the two universities. Any dispute which cannot be resolved through negotiations between that committee shall be submitted for arbitration by the parties under the rules of the American Arbitration Association. The results of said arbitration shall be binding upon the parties.

12. It is understood and agreed by the parties hereto that this agreement is a preliminary agreement intended to express the general understanding of the parties with regard to the terms of the sale and that this agreement may require amendment, modification or substitution at a later date.

DATED the day, month and year first written hereinabove.

UNIVERSITY OF ALASKA

By: _____
its _____

ALASKA METHODIST UNIVERSITY

By: _____
Its _____

DIRKSEN APPRAISAL COMPANY

file 478

PAUL P. DIRKSEN, S.R.A.-R.M.

531 West Third Avenue, Anchorage, Alaska 99501

(907) 277-8675

December 31, 1974

RECEIVED
OFFICE OF PLANNING &
INSTITUTIONAL STUDIES

DIST. JAN 3 1975 LCG # 2
DCM RAIT *[initials]*

Dr. Donald C. Moyer
Director of Planning
University of Alaska
Fairbanks, Alaska 99701

Re: Appraisal of Alaska Methodist University

Dear Dr. Moyer:

As requested, I have made an inspection and preliminary analysis of the value of land and buildings owned by Alaska Methodist University. The land is described as follows:

- The NW $\frac{1}{4}$ Section 27 EXCEPT The NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27;
- The N $\frac{1}{2}$ SW $\frac{1}{4}$ Section 27;
- The NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 28;
- The SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27 lying South of University Drive;
- The E $\frac{1}{2}$ E $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27 lying North of University Drive;
- The SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ North of University Drive.

The gross area is approximately 292.69 acres.

Alaska Methodist University proposes to sell this property to the University of Alaska. The purpose of this preliminary estimate is to ascertain a fair price to be paid for the real estate. While the final appraised value may vary somewhat from this preliminary estimate, it should not be significantly different.

In my opinion, the Market Value of the Alaska Methodist University real estate as of December 27, 1974 is:

NINETEEN MILLION, TWO HUNDRED THOUSAND

(\$19,200,000)

See p.6 for restriction on release of this info. to public media!

Allocation:

<u>Improvements</u>	<u>Present Value</u>
(1) Underground Utilities	\$ 277,186
(2) Parking	69,027
(3) Student Union	5,663,886
(4) Grant Hall	3,654,509
(5) Gould Hall	1,409,600
(6) Behavioral Sciences	31,159
(7) Shop Garage	52,029
(8) Ski Jump	67,900
(9) Carillon	72,750
(10) Tennis Courts	28,384
(11) Hockey Rink	24,302
(12) Landscaping	158,586
(13) Faculty Residences (including land)	652,500
Total Improvements	\$12,161,818
Land	<u>7,000,000</u>
TOTAL VALUE ALASKA METHODIST UNIVERSITY REAL ESTATE	\$19,161,818
(rounded)	<u><u>\$19,200,000</u></u>

Methodology:

The subject is a special purpose property. The standard method of appraising special purpose properties is to value the improvements based on cost new less depreciation then add the land. Depreciation must include all forms including

physical deterioration, functional obsolescence and economic obsolescence when these elements are present.

The land is zoned PLI, Public Lands and Institutions District, by the Greater Anchorage Area Borough. This district is intended to include major open lands, major public and quasi public institutional uses. The standard method in appraising land in this type of zoning is to substitute the highest and best use of the land as if it were in the private sector. This is because parks and institutional lands very seldom transfer on a Market Value basis. The highest and best alternate use for this land would be for a PUD, which includes condominiums, apartments, a small amount of offices and commercial and possibly some single family residences. The subject land has been valued on this basis.

There is a restrictive covenant in the patent from the Bureau of Land Management to Alaska Methodist University which restricts the use of this land to school purposes. The sale agreement between Alaska Methodist University and the University of Alaska for 197 acres of adjacent land in 1972 also contained a restriction on the remaining Alaska Methodist University land to school purposes. The land value in this preliminary estimate has not been penalized because of the restrictions placed on the land. Prior to completion of the final appraisal, I would like to have an opportunity to discuss the impact of these restrictions with counsel.

[The land has been appraised with the streets in place. That is to say, land is more valuable with street frontage than land without street access. Therefore, although the streets are privately owned and maintained, the value of those streets is included in the land value.] Near the South end of the property is a ~~25 acre lake~~ which was created by mining of the gravel resources previously located thereon. Assuming that Chester Creek, which flows nearby, could be diverted in and out of the lake to fill it and freshen it, the lake is an asset to the land. The ~~25 acre lake~~ area has been deducted from the total land area for purposes of calculation of land value. However, the 58.4 acres surrounding the lake have been valued at a higher unit value than the rest of the land.)

The faculty residences have been valued on a comparative basis rather than cost less depreciation. This method includes the land on which a residence is located. Typical lot size for residences of this size is 16,000 square feet each, which would result in 3.31 acres being utilized for faculty housing.

Dr. Donald C. Moyer
December 31, 1974
Page 4

This land value is included with the value of the faculty housing and was, therefore, deducted from the land area which was valued on an acreage basis.

Land Values:

58.4 Acres @ \$35,000/Acre	=	\$2,044,000
192.18 Acres @ \$25,000/Acre	=	4,804,500
<u>13.8 Acres @ \$15,000/Acre</u>	=	<u>207,000</u>
264.38 Acres	TOTAL	\$7,055,500
25 Acre Lake		
3.31 Acres with Faculty Housing		
	(rounded)	<u>\$7,000,000</u>

As requested, the above presentation has been abbreviated with the supporting evidence retained in the appraiser's files. The final appraisal, when requested, will contain the back-up evidence for land value, cost of reproduction estimates and the comparable sales utilized in valuing the faculty housing.

The land areas utilized are approximate. No survey was made, and there is no warranty as to land area.

We acknowledge assistance of Terry Gorsuch, Cost Estimator, and Fred Ferrara, Appraiser, in this report.

We wish to thank you for this opportunity to be of service.

Sincerely,
DIRKSEN APPRAISAL COMPANY

Paul P. Dirksen

Paul P. Dirksen

PPD/sm

Attachments (5)

*In this regard
New Dep. Comm. for Public Works -
Audit also spoke to Committee
refer to P. 1
Dr. Moyer*

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

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36

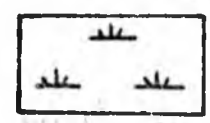
Providence
Hosp

A M U

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GAAB

Swamp



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THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

ASSUMPTIONS AND LIMITING CONDITIONS

1. No legal questions are considered in this analysis, such as titles, encumbrances, etc.. The property is considered as if free and clear.
2. All dimensions and legal descriptions are assumed to be correct, as furnished.
3. All information, as found in data furnished, is deemed to be reliable. If any errors are found, the right is reserved to modify the conclusions reached.
4. No study has been made to determine whether structures may have an infestation, such as termites or dry rot. In the absence of such study, it is assumed the property is free of such problems.
5. While various "approaches to value" and various mathematical calculations have been used in estimating value, these are but aids to the formulation of the opinion of value expressed by the appraiser in this report. In these calculations, certain arithmetical figures are rounded off to the nearest significant amount.
6. The data and conclusions embodied in this appraisal are a part of the whole valuation. No part of this appraisal is to be used out of context; and, by itself alone, no part of this appraisal is necessarily correct, as being only part of the evidence upon which final judgment as to value is based.
7. Employment to make this appraisal does not require testimony in court, unless mutually satisfactory arrangements are made in advance.
8. This appraisal is made in accordance with the standards of the American Institute of Real Estate Appraisers.
9. Fair Market Value is defined as "the price it (the real estate) will bring between a willing buyer and a willing seller, with equity to both.
10. This report is delivered subject to the stipulation that neither all nor any part of the contents shall be conveyed to the public media through advertising, public relations, news, sales or any other media without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser, his firm, or any reference to the American Institute of Real Estate Appraisers.

CERTIFICATION:

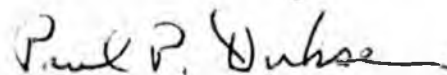
The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
2. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
3. To the best of my knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.
4. This appraisal report sets forth all of the limiting conditions affecting the analyses, opinions and conclusions contained in this report.
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.
6. No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.

RESTRICTION UPON DISCLOSURE & USE:

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.

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 he is connected, or any reference to the American Institute of Real Estate Appraisers or to the M.A.I. or R.M. designation) 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.



Paul P. Dirksen, S.R.A. - R.M.

QUALIFICATIONS OF PAUL P. DIRKSEN, S.R.A., R.M.

PROFESSIONAL AFFILIATIONS:

Society of Real Estate Appraisers, Designation - S.R.A.
President, Anchorage Chapter #158, 1974-75
American Institute of Real Estate Appraisers, Designation - R.M.
American Right of Way Association
Anchorage Board of Realtors

EDUCATION:

Miami University, B.S., 1957, Oxford, Ohio
AIREA Appraisal Course I, Milwaukee, Wis., 1958
AIREA Appraisal Course II, University of Pacific, 1963
AIREA Appraisal Course IV, University of San Francisco, 1964
University of California, 1962 - 1964

BUSINESS EXPERIENCE:

Dirksen Appraisal Company, Anchorage
Alaska Department of Highways,
State Supervising Appraiser
Alaska Attorney General's Office,
Special Consultant on cases related to eminent domain
Savings & Loan Commissioner's Office,
Appraiser Class IV (California)
Lloyd Thomas Company, Chicago, Ill.
American Appraisal Company, Milwaukee, Wis.

COURT EXPERIENCE:

Qualified as Expert Witness in various Superior Courts

TYPICAL CLIENTELE:

Alaska Department of Highways
Alaska State Housing Authority
Greater Anchorage Area Borough
Alaska Department of Public Works,
Division of Aviation and Division of Buildings
University of Alaska
City of Anchorage
City of Fairbanks
City of Juneau
U.S. Coast Guard
Washington Highway Commission
San Francisco Bay Area Rapid Transit District
Various Urban Renewal Agencies
Private property owners and attorneys



UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

April 18, 1975

The Honorable Susan Sullivan
Alaska State House of Representatives
Pouch "V" State Capitol Building
Juneau, Alaska 99811

File

Dear Representative Sullivan:

After sending you my memo of April 15, commenting on House Bill 404 I have discussed the bill with the University's Legal Counsel.

Our Counsel pointed out that a two year residency requirement as stated in the bill would raise serious questions of equal protection of the law under the U. S. Constitution. He also suggested that even though the proposed language is generally in line with existing Board of Regents' policy, mandatory language might be incompatible with the Board of Regents' constitutional responsibility to govern the University (Alaska Constitution, Article VII, Section 3). He suggested that the purpose of the proposed Sec. 14.40.055 might be better accomplished by the following language: "Notwithstanding the provisions of Sec. 14.40.050 the Board of Regents may provide for waiver of fees or charges to persons over the age of 60." The language would authorize waiver of fees, yet would not invade the Regents' constitutional responsibility for governance.

Sincerely yours,

Don M. Dafoe
Executive Vice President

cc: Rick Urion
Bob Bradley ✓

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 404
 Title: An Act Relating to the University of Alaska
 Requested by: Health, Education & Social Services Date: 4-17-75
 Return Date Requested: Immediately
 Agency: University of Alaska Program: Education

II. FISCAL DETAIL

Budget Request Unit(s) Affected: University - Statewide
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	No additional cost, but a loss of income					

B. FUNDING: (Thousands of dollars)

GENERAL FUND	36.0	45.0	54.0	63.0	72.0	81.0
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY MAN MONTHS (P./T.)	/	/	/	/	/	/
---	---	---	---	---	---	---

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

200 students x 3 credit hours each x \$20.00 per credit hour = \$12,000 per semester
 (12,000 x 3 = 36,000)

This represents a loss of income that must be covered by an allocation of General Funds.
 Projected increase at rate of 150 credit hours per semester (3) per year (9,000)

IV. ATTACHMENTS

V. DATE: 4-18-75

PREPARED BY: 

M. M. Hullinger
 Vice President for Finance and Comptroller

Original: Legislative Finance
 Budget and Management
 cc: Prime Sponsor (First Legislator Named)

UNIVERSITY OF ALASKA

COLLEGE, ALASKA 99701

TO:

Hon. Susan Sullivan

Re HB 404

DATE:

4/15/74

Attached is a copy of an excerpt from Regents minutes adopting a policy for tuition and fee waiver for persons 60 yrs and older. HB 404 is more restrictive than the Board policy, since it provides for two year residency but does not provide for payment of amounts for specialized classroom supplies. Also, the term "educationally related" is very broad and might be interpreted to

REPLY: apply to exemption from payments for ^{individual} ~~private~~ music lessons, etc.

We believe the language in the bill should be modified as noted on the bill copy.

cc Rick Union, Bob Bradley

File HB 404.

Introduced: 4/9/75
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY URION AND BRADLEY

2 HOUSE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the University of Alaska; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.40.050 is amended to read:

10 Sec. 14.40.050. DISCRIMINATION BECAUSE OF AGE, SEX, COLOR OR
11 NATIONALITY PROHIBITED. No person shall be deprived of the privileges
12 of the university because of age, sex, color or nationality.

13 * Sec. 2. AS 14.40 is amended by adding a new section to read:

14 Sec. 14.40.055. SENIOR CITIZEN EXEMPTION FROM TUITION AND FEES.
15 *Who are Alaskan residents,*
Persons ~~who have been residents of the state for two years,~~ who are 60
16 years of age or older, and who apply for enrollment or who are enrolled
17 in the university are exempt from ~~tuition or~~ ^{course} fees imposed by the univer-
18 sity. ~~for educational or educationally related services.~~ This exemption
19 *charges for specialized classroom supplies,*
does not apply to ~~charges for room and board or other student activities,~~
20 *or for individual lessons or services,*
~~unrelated to educational or educationally related services.~~

21 * Sec. 3. This Act takes effect July 1, 1975.
22
23
24
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27
28
29

Bd of Regents Meeting Feb 28, 1975

EIGHTH: Be It Further Resolved That all prior resolutions relating to any of the above matters be and they hereby are revoked.

NINTH: Be It Further Resolved That the President and Secretary of this Corporation be and they hereby are authorized to certify to said First Western Bank a copy of these resolutions and the names of this Corporation's officers and/or agents thereby authorized to act in the premises. WE FURTHER CERTIFY that the following are those duly elected to the office set opposite their respective names:

<u>Hugh B. Fate</u>	<u>Treasurer, Board of Regents</u>
<u>M. M. Hullinger</u>	<u>Vice President for Finance & Comptroller</u>
<u>Lewis E. Haines</u>	<u>Provost, Southcentral Region</u>
<u>F. Stanley Vaughn</u>	<u>Business Manager</u>

IN WITNESS WHEREOF, we have signed this instrument and caused the corporate seal of said Corporation to be hereunto affixed this _____ day of February, 1975

(SEAL)

President

ATTEST:

Secretary

Tuition and Fee Waiver for Persons 60 Years and Older

Regent Wendt moved, seconded by Regent Abel, and passed unanimously to approve the following motion the Finance and Business Management Committee had requested the Executive Officer of the Board to re-write and present to the full Board for action.

"The Board approves a waiver of course fees (excluding fees for specialized classroom supplies), effective Fall Semester 1975, for Alaskan residents 60 years of age or older. The students may enroll in any class offered by the University of Alaska for which they are properly qualified, except those classes where student work spaces may not be available."

COPY COMMITTEE
AND STATE OF ALASKA
MY DESK ON

Subcommittee on the

BONDS

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, Governor

POUCH K - STATE CAPITOL
JUNEAU 99801

March 18, 1975

Honorable Bill Ray
Chairman
Senate Finance Committee
Alaska State Legislature
Juneau, Alaska

Dear Senator Ray:

In your letter of March 11, 1975 you asked whether or not some of the funds from the University of Alaska bond issue authorized by ch. 144, SLA 1974 could be used instead for the purchase of Alaska Methodist University properties. In our opinion funds could not be reprogramed to uses other than those authorized by ch. 144, SLA 1974 and subsequently ratified by the voters.

This question was analyzed at substantial length in the attached opinion of April 26, 1974, transmitted to Mr. Joseph Henri, former Commissioner of Administration. Upon reviewing it, we feel that it remains the authoritative statement of our position on this issue. If you have any questions, please feel free to contact me.

Sincerely,

AVRUM M. GROSS
ATTORNEY GENERAL

By: *Mark Ertischek*
Mark Ertischek
Assistant Attorney General

April 26, 1974

The Honorable Joseph R. Henri
Commissioner
Department of Administration
Pouch C
Juneau, Alaska 99801

Re: Ch. 221 SLA 1970 —
project changes after
voter approval of bond
authorization

Dear Commissioner Henri:

You have inquired whether the Department of Highways may use the proceeds of general obligation bonds, authorized by ch. 221 SLA 1970 (highway maintenance facilities) and approved by the voters at the 1970 general election, for projects other than those specified in ch. 221 SLA 1970. The answer is no.

You have mentioned that some of the maintenance facilities listed in that Act "are no longer required and some may be constructed for less funds than originally specified." Neither circumstance justifies using the bond funds on projects not listed in the Act.

CONSTITUTIONAL AND STATUTORY PROVISIONS

Article IX, Section 8 of the Alaska Constitution provides in relevant part:

"No state debt shall be contracted unless authorized by law for capital improvements and ratified by a majority of the qualified voters of the State who vote on the question."

AS 15.15.030(11) requires:

"When the legislature by law authorizes a state debt for capital improvements, the lieutenant governor shall place the question of whether the specific authorization shall be ratified by placing the ballot title and question on the next general election ballot,

or on the special election ballot if a special election is held for the purpose of ratifying the state debt for capital improvements before the time of the next general election. . . ." (Emphasis added.)

Sec. 1, ch. 221 SLA 1970 authorizes the issuance and sale of bonds "for the purpose of paying part or all of the cost of acquiring, constructing and equipping and making other capital improvements to highway maintenance facilities." Sec. 2 of the same Act states:

"The amounts of these bonds to be issued from time to time and the time or times of their issuance shall be fixed by the State Bond Committee (created by AS 37.15.110), and the specific uses of the proceeds of these bonds shall be determined by the governor in accordance with the following schedule: [here follows a list of 12 specific projects, including the respective fiscal years (from 1971 to 1973) for their undertaking]."

Sec. 6, ch. 221 SLA 1970 requires submission of the question to the qualified voters of the state and sec. 7 requires using "substantially" the following wording:

"Shall the State of Alaska issue its general obligation bonds in the principal sum of not to exceed \$5,500,000 for the purpose of paying part or all of the cost of acquiring, constructing and equipping highway maintenance facilities?"

By telephone conversation with this writer on April 15, 1974, Dorothy MacKenzie, Director of Elections, affirmed that Proposition No. 8, submitted to the voters at the general election on November 3, 1970, contained a verbatim statement of the heading and question set out in sec. 7, ch. 221 SLA 1970.

DISCUSSION

The Alaska Constitutional prohibition against incurring indebtedness refers to obligations against the general credit of the state. ^{1/} This being so, the voters of the state must be given the opportunity to voice their opinions, as required by Article IX, Section 8 of the Alaska Constitution, AS 15.15.030(11), and provisions comparable to sec. 7, ch. 221 SLA 1970 in each bond authorization Act. Many court decisions have held that, once the voters have ratified a bond authorization Act, a contract between the government and the electorate arises.

^{1/} Noted in the 1959 Opinions of the Alaska Attorney General, No. 39, and 1969 Opinions of the Alaska Attorney General, No. 5.

One such case is Tocker v. San Francisco Bay Area Rapid Transit District, 22 Cal. App. 3d 643, 99 Cal. Rptr. 351 (1972). In that case, the Act which created the transit district required a feasibility study to be made before putting the bond issue to a vote of the people. The study was made and the bond issue was approved by the voters. Nine years later the transit district entered into a contract with the City and County of San Francisco, providing for a particular modification of the plan as originally contemplated in the feasibility study. The validity of that contract was challenged. The California Court of Appeal, First District, held that because neither the legislative Act, nor the district's bond resolution, nor the ballot proposition specified the details of the rapid transit system, the modifying contract with San Francisco was within the district's authority and was therefore valid. But the court said (99 Cal. Rptr., at 364):

"It is undeniably true, as contended, that the BART resolution stating the purposes of and calling the bond election, and the acceptance of the ballot proposition by the voters, was analogous to a contract between BART and the voters or at least the taxpayers of the district. (Los Angeles County Flood Control Dist. v. Wright, 213 Cal. 335, 348-349, 2 P.2d 168; O'Farrell v. County of Sonoma, 189 Cal. 343, 348, 208 P. 117; Peery v. City of Los Angeles, 187 Cal. 753, 767, 203 P. 992; Skinner v. City of Santa Rosa, 107 Cal. 464, 476, 40 P. 742.) The laws which authorized the bond issue were a part of that contract. (Sutter Basin Corp. v. Brown, 40 Cal. 2d 235, 241, 253 P. 2d 649; State School Bldg. Fin. Com. v. Betts, 215 Cal. App. 2d 685, 619 31 Cal. Rptr. 258; Jenkins v. Williams, 14 Cal. App. 89, 98, 111 P. 116.) And obviously, the terms of the specific proposal submitted to voters have the attributes of such a contract and must be respected. (See Skinner v. City of Santa Rosa, supra, 107 Cal. 464, 40 P. 742.)"

The court simply held that extraneous matter, such as feasibility studies, did not give rise to a contract. In our present situation, the Act itself -- ch. 221 SLA 1970 -- expressly listed the projects for which the bonds were to be issued. Thus, under the reasoning of the California court, a contract arose with the voters of Alaska.

The same California court reached a similar result a year earlier in East Bay Municipal Utility District v. Sindelar, 16 Cal. App. 3d 913, 94 Cal. Rptr. 431 (1971). In that case, the primary project contemplated before the election was held was completed with \$34,000,000 in authorized but unissued bonds left over. The court held that issuance of the remaining bonds to expand facilities would be valid because the only specific restriction was contained in a feasibility study and in promotional material distributed before the bond election; it was not contained

in the laws creating the district, nor in the district's ordinance calling the election, nor on the ballot. The court states (24 Cal. Rptr., at 435):

"The Municipal Utility District Act limited expenditure of the proceeds of the district's bonds authorized in 1958 to 'the objects or purposes for which the bonds were voted.' (Pub. Util. Code, sec. 13262.) The statutory restriction reflects the general rule, which restricts expenditure of the proceeds of publicly-approved bonds (O'Farrel v. County of Sonoma [1922] 189 Cal. 343, 348-349, 208 P. 117; Hills v. S. F. Bay Area Rapid Transit Dist. [1968] 261 Cal. App. 2d 666, 668, 68 Cal. Rptr. 317) and which rests upon theories that such restriction is contractual in nature, or that it derives from a status which is analogous to a contractual relationship, or that it is implicit in a requirement of popular approval for a given bond issue."

Again, it is not only the ballot language which the court said creates the contractual relationship with the voters, it is the language of the authorizing legislation as well. But the court held that feasibility studies and promotional material do not. In our case, we are concerned with legislation, not a feasibility study or promotional material. This line of reasoning extends at least as far back as the 1910 case of Jenkins v. Williams, 14 Cal. App. 89, 111 P. 116, which is squarely in point with our present situation.

In the Jenkins case, the relevant statute required the county board of supervisors to "by order specify the purpose for which the indebtedness is to be incurred . . ." The statute also required an election, with the ballot containing "a general statement of the amount and purpose of the bonds to be issued." In response to that statute, the board issued its order, specifying construction of seven roads and thirty bridges and stating the amount of money to be allocated to each road and bridge. The "general statement" on the ballot mentioned roads and bridges, without itemizing specific ones, and just set out the total number of dollars for roads and the total for bridges. (A courthouse construction project was also involved.)

One of the bridges was completed with a surplus of \$503.16 of the amount allocated for that bridge remaining. The plaintiffs performed work on another bridge and sought to have that \$503.16 applied to their contract price. Because of the specificity of the order of the board of supervisors (analogous to our ch. 221 SLA 1970), the court held that the funds could not be shifted. The court stated (111 P., at 118):

"The position taken by the plaintiffs at the trial and here is that the face of the ballot expressed the will of the voters, regardless of the

notice given to them by the order and proclamation of the board; that the \$225,000 was to constitute the bridge fund, and all of it could be lawfully used for the construction of one bridge if necessary; that the ballot sufficiently complied with the statute in making a 'general statement of the amount and purpose of the bonds to be issued.' If this position be correct, it would follow that the board might not only expend all the bridge bond money on a single bridge, but it might also expend all the road and highway money upon a single road, and this, too, in direct conflict with the order of the board and the proclamation and notice given to the electors. We cannot agree to this construction of the statute."

Noting that "the brief statement of the purpose upon the ballot identifies the proposition more fully set forth in the order of which the electors are fully advised by publication of the order", the court went on to say (id.):

"Here was \$500,000 which the voters were told was to be expended in constructing 7 different roads in the county and \$225,000 to be expended in constructing 30 different bridges, and we are asked to hold that these large amounts, ordered by the board for specific purposes, could be divided up and shifted about at the discretion or possible caprice of the board and for purposes in direct violation of its order and the statute. The order of the board was jurisdictional, without which the election and the bonds would have had no validity. The published order of the board formed an essential part of the propositions submitted to the vote of the electors, and it was the order which was ratified by them."

In our present situation, it was ch. 221 SLA 1970 which was ratified by the voters. Ch. 221 SLA 1970, in its section 2, itemized specific projects while allowing administrative discretion only as to the amount (and design, of course) to be used for each.

Further supporting this contract rationale is O'Farrell v. Sonoma County, 189 Cal. 343, 208 P. 117 (1922). In that case,

the order of the county board of supervisors specified the description, distance, and pro rata amount of money for each of several roads. The California Supreme Court held that, although the board's order legally could have been more general, the board chose to be specific and therefore was bound by the terms of its order (again, analogous to our ch. 221 SLA 1970) to apply the bond money as specified there. The order constituted a contract between the state and the electors which could not be modified by only one of the parties to that contract. (Also see Metropolitan Water District of So. Calif. v. Marquardt, 379 P.2d 28, 39 [1963].)

A similar rule on the use of public money obtains in other states. For example, see Bank of Lowell v. Cox, 279 P. 257 (Arizona, 1929); Independent Highway District No. 2 of Ada County v. Ada County, et al., 134 P. 542 (Idaho, 1913). The Arizona Supreme Court stated (279 P. at 262): "To hold that the money specifically authorized for one bridge might be used on another would be contrary to all principles governing the expenditure of public money."

Persons responsible for handling other persons' money - whether as a public official administering a program using public funds or as an individual trustee designated in a will - are vested with a certain amount of administrative discretion, but must nevertheless fulfill the purposes of the program and the trust and comply with restrictions in the creating instrument. In holding that, once the voters had ratified a specific bond resolution, the state legislature could not authorize the board of county commissioners to spend surplus bond funds on a road not included in the resolution's list of roads, the Florida Supreme Court stated, in Oven v. Ausley, 143 So. 588, 589 (1932): ". . . it is a violation of an elemental principle in the administration of public funds for those who are charged with the trust of their proper expenditure not to apply such funds to the purposes for which they are raised. *** When an enforced contribution is exacted from the people by the power of taxation, it is for a specific public purpose, and the fund so raised is a trust fund in the hands of the legal custodians of it."

Whether one applies a contract rationale, a trust rationale, or simply the express terms of the statute (ch. 221 SLA 1970), shifting bond funds from authorized uses to unauthorized ones is not permissible. As discussed above, under the contract rationale a contract arises not only from the wording of the ballot question, but from the authorizing Act too. Thus, the specific projects listed in sec. 2, ch. 221 SLA 1970 are binding as well as the general statement included in the ballot question. Under the trust rationale, the voters of the state

have, in effect, placed funds for certain purposes in the hands of their public officials, with ch. 221 SLA 1970 - including its sec. 2 - being the trust instrument.

And, under the express terms of the Act, there is little room for variation - neither from the general statement of purpose nor from the listing of specific projects. Since Article II, Section 1 of the Alaska Constitution vests the legislative power of the state in our legislature, and since no procedural or substantive impediment to its validity appears, ch. 221 SLA 1970 is as binding as are other valid laws. Those who administer our laws must act within the law.

Moreover, the wording of ch. 221 SLA 1970 is not vague or ambiguous. Nor does it appear to have resulted from legislative error or oversight. The history of the bill (Sixth Legislature's Senate Bill No. 435) which became ch. 221 SLA 1970 indicates the legislative intent. The bill was introduced at the request of the governor, who expressed a need for maintenance facilities to keep pace with the expanding highway system and to provide additional support facilities to insure adequate storage and repair of maintenance equipment (1970 Senate Journal, p. 149). That original bill provided for a bond issue of only \$1,900,000 and listed no specific locations. The Senate State Affairs Committee offered a substitute bill calling for \$11,100,000 and listing eighteen locations for the 1971 -- 1973 fiscal period (1970 Senate Journal, p. 556, incorporating two memoranda of the commissioner of highways). That substitute was rejected and the original bill passed the Senate. In the house, the Finance Committee offered a substitute calling for \$5,500,000 and listing only twelve locations. It was this version which finally passed both houses and became the enabling Act under discussion here. The three successive versions of the Act evidence a deliberate, intentional limitation as to where the money could be spent.

Further evidencing the deliberation preceding the writing of sec. 2, ch. 221 SLA 1970 is the fact that, of the eleven bond authorization Acts enacted in 1970, the corresponding provision of six of them contained some degree of specificity with regard to projects; the other five just contained a general statement of gubernatorial discretion. Extending the idea of limiting the executive branch's discretion, is AS 24.30.037 (enacted by ch. 70 SLA 1973), which requires each bond bill to contain "a statement of the scope of each major project included in the proposed bond issue."

In discussing generally the power of a state to issue bonds, and citing Almond v. Gilmer, 188 Va. 22, 51 S.E.2d 272, 81 C.J.S., States sec. 179, declares that "State boards and officers may obligate themselves and the state only in pursuance

to the terms and in conformity with the provisions of the authorizing statute." It follows that use of the money produced by issuance of those bonds must also comply with the authorizing statute. Again, in discussing issuance of bonds, and citing In re State Treasury Note Indebtedness, 135 Okl. 10, 90 P.2d 19, 81 C.J.S., States sec. 183 continues "Specific provisions in the authorizing act control over any more general provisions." Thus the specific provisions of sec. 2, ch. 221 SLA 1970 control over the general purpose statements in secs. 1 and 7 of that Act.

CONCLUSION

The proceeds of bonds issued under ch. 221 SLA 1970 must not be used for "highway maintenance facilities" in general but just for the specific facilities listed in that Act. This does not mean that the money should be wasted by making the needed facilities more luxurious or by building facilities which are not needed.

You did not mention whether all of the bonds authorized have been sold -- \$5,500,000. If some of the bonds have not yet been issued, and no more money is needed for the facilities which are determined to be necessary, simply do not issue those bonds. If there is a question as to what to do with existing surplus money - whether or not all of the authorized bonds have been issued - it should be taken from the "1970 Highway Maintenance Facilities Construction Fund", created under sec. 4, ch. 221 SLA 1970, and put in the "1970 Highway Maintenance Facilities General Obligation Bond Redemption Fund", created under sec. 5, ch. 221 SLA 1970. As Bond Counsel C. Richard Walker advised in his January 19, 1973 letter to Commissioner Stevenson concerning ch. 189 SLA 1970 and sec. 3 of pending HB 47, "If the State government determines that [this money] should not be expended for the purpose for which the voters authorized [it] to be expended (and the purpose for which the bondholders loaned the money in question), it is natural and logical that the State should achieve, as nearly as possible, the same result as if the bonds had never been issued. This can be accomplished by transferring the unexpended proceeds to the fund dedicated to the payment of the bonds. That is the result commonly provided for by statutes dealing with situations of this kind."

The California Supreme Court concluded its decision in the Jenkins case, supra, with the observation:

"It seems to us that the views herein expressed are consistent with the letter and spirit of the statute, and that the construction contended for by [those who would seek to shift the funds] would open

Joseph R. Henri

- 9 -

April 26, 1974

the door to possible, if not probable, dangerous abuse of power, and would take from the vote of the people all its significance as well as defeat its purpose."

Very truly yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By:

Arthur H. Peterson
Assistant Attorney General

AHP:fw

cc: The Honorable Bruce Campbell
Commissioner
Department of Highways

Minutes of SUBCOMMITTEE ON HIGHER EDUCATION

February 19, 1975...8 a.m.

House HESS Committeeroom

Present

Senators George Hohman
John Huber
Representatives
Helen Beirne
Mike Miller
Kathryn Ostrosky
(Chairperson)
Charles Parr

Absent

Senators John Sackett
Representatives
Bob Bradley

Guest

Stuart Hall, Legislative Affairs Agency

The meeting was called to order with the following agenda:

1. Contract with McLean & Associates.

A motion was made by Sen. John Huber and seconded by Sen. George Hohman, to recommend to the Legislative Council that the contract with McLean & Associates for February 1975 to January 31, 1976 be accepted.

The committee urged that the contract include appearances for consultation every 6 weeks or the equivalent of that frequency.

2. Appointments to Post-Secondary Education Commission.

It was agreed to urge speedy action on naming of appointees by Legislative Council, Budget & Audit, and Governors selection before the March 1 deadline.

3. Resume of Bills from past Interium Subcommittee.

House Bills 142, 143, and 144 were reviewed by Stuart Hall, of the Legislative Affairs Agency. see attachment

The Meeting was adjourned.

The next Meeting will be called by the Chairperson, Rep. Kathryn Ostrosky.

However, we have reason to believe that some of these, at least, prompted the University to engage in in-depth self-studies of its program and its future and to attempt to make changes in certain budgetary, management and personnel practices and procedures that perhaps otherwise would not have occurred. Additionally, we introduced and guided to enactment legislation making important revisions in the student financial aid program of scholarship loans, tuition grants and saw the establishment of a memorial scholarship loan program which permits the state's employees, in the latter instance, to make contributions of annual leave for particular scholarships identified with prominent Alaskans in special fields of endeavor.

In 1974 the Legislature enacted a measure of great significance. Following the lead of the Congress in enacting the Education Amendments in 1972, this Legislature established the Alaska Commission on Post-Secondary Education. Although the Commission has not as yet been formally organized, we believe this Commission will provide an important focal point for coordinating the planning of future higher education development in this state. We think it is important to remind our colleagues that this agency, which will operate independently of, but for administrative purposes only within the Department of Education, has been assigned the administration of all of the higher education and post-secondary programs that are not part of the administration or operation of our statewide university or of any other private institutions and colleges in the state. The Commission has both important advisory responsibilities as well as administrative duties imposed upon it and we have urged the Governor to enable this Commission to get an early start in its work by appointing the five public members and the interim representative of the community colleges at the earliest possible moment.

Turning now to the legislation we recommend to you for 1975, we are submitting today five measures. First, two memorial resolutions, one in the Senate and one in the House, honoring the memory of two noble leaders in higher education in Alaska, Dr. Orin R. Stratton, the retired president of Sheldon Jackson College in Sitka and William A. (Bill) O'Neill, for 25 years a member of the University of Alaska's Board of Regents.

H.B. 1442
There is, in addition, a bill which makes technical corrective amendments to the Alaska Commission on Post-Secondary Education Act, Chapter 78 of the Session Laws of 1974. The 1974 Legislature, which established the Commission, made the Commission responsible for the administration of the State's participation in the Western Interstate Compact on Higher Education. Prior to 1974, the program was administered by the Governor's office and by one of the Commission's members who was usually a member of the faculty or administration of the University of Alaska. However, in transferring the State's participation in WICHE from the Governor's office to the Commission, we neglected to change the certifying officer for the program, a function now performed by Dr. Don Dafoe, one of the State's WICHE commissioners and Executive Vice-President of the University of Alaska. At his suggestion, we are designating the executive officer of the Alaska Commission on Post-Secondary Education as the certifying officer for the State's participation in the WICHE. Other sections of the bill merely correct omissions of language that should have been incorporated in the statute passed at the last session,

corrects other incorrect cross-references and clarifies some of the wording to conform to the language of the student financial aid program revisions made by Chapter 136 of the Session Laws of 1974.

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We turn now to the two most important measures which we are submitting to you. First, we once again recommend that the existing community College Act, which dates back to 1962, be revised. We recommended similar legislation to the Eighth Alaska State Legislature, Second Session, in the form of House Bill 541, which passed the House but which remained in the Senate Committee on Health, Education & Social Services. During the between session interim period, your Interim Committee on Higher Education re-examined this proposed revision of the Community College Act and presents to you essentially the same bill, but with some changes to which we call your attention. First, as in the 1974 measure, the bill establishes criteria for the creation of community colleges and extension centers and requires for the first time that a feasibility study of the need for a college or center be completed by the proponent of it before it is established. Although the study must be approved by the Board of Regents, the 1975 legislation now permits the feasibility study to be prepared by citizens in the community desiring the community college, by the Board of Regents itself or by the Legislature, the Alaska Commission on Post-Secondary Education, or the State Advisory Council on Community Colleges, which will be organized by the Commission once it itself is organized and in business. Extension centers are authorized as an alternative to a community college in those areas where a comprehensive community college program is not warranted in terms of educational needs, as determined by the feasibility study.

444

Secondly, the bill eliminates the present requirement that two sets of financial records and two sets of personnel records be maintained for degree and non-degree programs sponsored respectively by the University of Alaska and the local school district or municipality with which the University contracts for the establishment of a community college. The present situation is confusing and often results in a local community college not receiving back revenues for non-degree or community interest courses paid for by students for that purpose. The bill requires the University to prepare a complete program budget for each community college, showing all sources of revenue, a procedure which the University is not presently obliged to do. Thus, the Legislature will get a better picture of community college and extension center programs and operations.

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Thirdly, the bill establishes a vice-president for community colleges as the principal administrative officer in the statewide administration who is to be responsible for the community college and extension center system within the University. He will work with the community college and regional administrators, at the same time giving the community colleges direct access to and representation in the office of the president of the university. Under the present administrative arrangement, the community colleges are merely assigned to one of the other officers of the University as an additional duty and not as a principal responsibility. We think that because the community college students represent by far the greatest proportion of the enrollment in the University of Alaska's statewide system, they are entitled to far more meaningful representation in the statewide administrative structure

than they presently are accorded. We respectfully suggest that unless this type of administrative arrangement we propose is established, a great deal of pressure may be brought upon the Legislature to establish the community colleges and extension centers as a separate and distinct institutional arrangement apart from the statewide university. We do not believe that to be sound educational administration because it would ensure that two separate educational systems would be competing before the Legislature for appropriations and other sources of support. We think that would weaken the quality of higher education in the State of Alaska. At the same time, we also believe that a separate vice-president for community colleges in the statewide university system would ensure the maintenance of the identity of the community college program within the University of Alaska without the creation of any additional unnecessary layers of administration. We believe that the community college program has been highly successful in Alaska because it has met the needs of the communities each college serves. Many of the community colleges have developed unique programs of their own, and it is interesting to note that the newest community college, Tanana Valley, located in Fairbanks, opened in the fall of 1974 with more than 1,000 students enrolled. It became instantly the second largest community college in the state without diminishing in any way the enrollment at the Fairbanks campus of the University, which at the same time was increasing by 2 percent. We suggest that this clearly demonstrates that the University of Alaska was not really meeting the post-secondary educational needs of the Fairbanks community and that the new Tanana Valley Community College was reaching out to do so. We think this type of innovative strength should be recognized in the highest councils of the University.

144 Fourthly, the bill establishes the community college advisory councils as statutory bodies and clarifies the tenure in office of their members as well as the duties and responsibilities of the council for each community college. Originally conceived as public relations "fronts" for the university to sell bond issues, these advisory bodies now should have input into the statewide university system, including the Board of Regents. The statutory provision will ensure that because the Regents have not devised regulations governing the advisory councils, membership on these councils will be meaningful and the contribution of time and effort made by members of these bodies throughout the state will have some significant impact on the development of educational policy for the statewide university system.

Finally, it is important to note that the bill makes no change whatsoever in the status of any existing community college or extension center. In other words, it is not possible under this legislation to downgrade a presently existing community college to an extension center.

We believe that it is important that a revision of the Community College Act be enacted at the 1975 Session of the Alaska State Legislature. This bill, in one form or another, has been under consideration since 1972. We learned during the course of our hearings, particularly in Fairbanks this last fall, that had this bill been enacted by the Legislature in 1974, it would have been most helpful in the establishment and organization of the Tanana Valley

Community College because it would have eliminated the need for extensive duplicate type of record keeping that this presently outmoded law requires and would have materially assisted in the negotiations between the University of Alaska and the North Star Borough School District. We urge the Legislature's favorable consideration of this measure at an early date.

HB
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Finally, the Committee offers for the consideration of the Legislature another measure that was before the Eighth Alaska Legislature, Second Session, in substantially the same form in which it is presented to you today, namely House Bill 836, an act relating to the regulation of post-secondary educational institutions. The bill in its present form, as in 1974, is the result of a report of the Task Force on Model State Legislation for Approval of Post-Secondary Educational Institutions and Authorization to Grant Degrees, undertaken by the Education Commission of the States and recommended to the several state legislatures in June, 1973.

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This is a consumer protection measure which significantly broadens the existing Alaska law, popularly known as the "anti-diploma mill" bill. Expert testimony by a staff attorney for the Federal Trade Commission as well as by an attorney for the Consumer Protection Division of the Attorney General's Office during the course of extensive hearings on this measure this last fall persuades this Committee that it is absolutely urgent that Alaska significantly expand the coverage of the existing regulatory statute. Formerly the responsibility of the Department of Education, the Alaska Commission on Post-Secondary Education is now charged with issuing licenses and permits to operate as a post-secondary educational institution, because the Legislature reasoned that along with the planning function imposed upon the Commission should go the responsibility for regulating the entry into the post-secondary educational field in this state. Under present law, certain post-secondary educational institutions are required to be registered and licensed by the Department of Education or the Post-Secondary Education Commission if they are diploma-granting institutions. Also, it is required that if an institution uses the term "college" or "university" in its name, it also must be authorized to do so. The purpose of this type of legislation is to eliminate consumer abuse, primarily in the area of the private vocational school industry, that is intended to provide students with training that results in jobs. Alaska has had its share of problems with private vocational schools, as testimony last fall noted. The Federal Trade Commission advised us that it was investigating, for example, a Washington-based school operating in Alaska which had been accused by one of our residents of falsely advertising job opportunities, placement assistance, credit terms and membership in a phony professional organization. Responsible state and federal agencies believe that one of the side effects of oil development in this state will be to attract the "con man" and the "bunco artist" that prey upon the desire of people to advance in their occupation or profession by taking vocational type courses. As the attorney for the Federal Trade Commission observed, this is the time to adopt strong state legislation to keep out-of-state operations from seeking to exploit Alaska's new wealth and student market before the community college system is fully developed.

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In testimony before the Legislative Interim Committee on Higher Education, the Federal Trade Commission's staff attorney, Mrs. Sharon Armstrong, stressed the necessity for legislation at the state level and listed at least three reasons why State law in this area is so important. First, testimony indicated that present accreditation does not prevent consumer abuses in the industry. It was pointed out that some schools are accredited by dummy organizations and even if a school is accredited by a legitimate agency recognized by the U. S. Office of Education, the agencies themselves are supported by dues paid by member schools. Therefore, their investigations are often self-serving and subject to bias. The criteria for accreditation frequently is minimal and investigations are conducted only infrequently. In fact, of the four major vocational school cases before the Federal Trade Commission now, three involve schools that are accredited. And even though accreditation has had little impact on quality control, the Department of Health, Education & Welfare approves almost automatically any accredited school for participation in the federally insured student loan program. In 1972 alone, it was pointed out, HEW provided \$214 million to private vocational school students. While this amount accounted for only 30 to 35 percent of all FISL loans, it represents 60 to 75 percent of all the defaults. Students, it was observed, are less willing to pay back loans when they feel they have been gyped.

The second reason the Federal Trade Commission attorney urged adopting strong state legislation in this area is that the Veterans Administration is required by statute to delegate most of its supervisory duties over private vocational schools to state approval agencies. The state agencies, in turn, can either rely on accreditation as a standard for approval or they can set their own standards. Once the state agency approves a course, the VA is required by law to pay out veterans benefit funds. In 1972 it was pointed out that the VA paid out \$381 million in benefits but over a five year period the government accounting office reported that 75 percent of the veterans enrolled in correspondence schools dropped out. Clearly, it was observed, there is a great need for comprehensive legislation to enable state agencies to save taxpayer dollars.

The third reason for adopting a strong state law is that the Federal Trade Commission, its staff attorney pointed out, does not have the jurisdiction or resources to reach more than a few of the problems in the vocational school industry. At the present time, the Commission is formulating a trade rule which would require factual documentation of earnings or employment claims, require disclosure of drop-out rates, require a 10 day cooling off reaffirmation period before contracts become effective, and provide for pro-rata refunds to students who do not complete courses. While helpful, this rule only touches the tip of the iceberg of abuses. It cannot prevent them. It does not in any way regulate quality and it may not be adopted for many months. Since 1970, it was pointed out, the Federal Trade Commission has issued 25 complaints against vocational schools and many cases are under investigation. However, the Commission's law enforcement authority comes into play only after Section 5 of the Federal Trade Commission Act has been violated. With over 10,000 schools in operation the Commission may not detect violations until hundreds of students have been cheated. Many violations are never detected. Enforcement may require long and complicated litigation.

The Commission has no authority to deny or suspend eligibility to participate in government programs such as FISL, veterans benefits or those sponsored by the Bureau of Indian Affairs. It has no jurisdiction over schools whose operations are wholly intrastate in character. In short, the Federal Trade Commission attorney pointed out, state agencies are in the best position to prevent unfair and deceptive acts or practices before they occur because state agencies can keep shady operators out of the State. With this in mind, the Federal Trade Commission is encouraging all 50 states to adopt the education commissions of the state's model post-secondary education authorization act. The FTC attorney observed that House Bill 836 of the 1974 session, Alaska's version of the model act, would provide a comprehensive scheme for quality control of vocational schools. It goes far beyond the FTC's trade rule, she said, and moreover would serve as an alternative to federal involvement in an industry considered by many to be a State concern.

Specifically, the legislation we offer today would:

First, establish minimum criteria for determining whether an institution may operate within the State, the most important criteria being the school's ability to enable students to achieve the school's stated objectives and to ensure that the school has the means of doing so.

Secondly, it would require truth in advertising as well as affirmative disclosures of relevant information in order to adequately inform prospective students prior to their enrollment.

Thirdly, it would clearly define procedures and conditions under which any school or sales employee may be authorized to operate in the State. It would require bonding of both schools and their agents and allow for denial or revocation of authorization to operate in the State.

Fourthly, it would provide procedures by which a student may lodge a formal complaint against a school and, if justified in the judgment of the Alaska Commission on Post-Secondary Education, obtain an award of damages.

Fifthly, it would prevent use of the "holder in due course" doctrine under which an institution uses a third party to collect payments from a student for services that are not provided.

Finally, it is important to note that this bill would establish a requirement that schools going out of business would be required to deposit their academic records with the Alaska Commission on Post-Secondary Education. It would now appear from the announcements that have been made by Alaska Methodist University and the negotiations which are on-going between AMU and the University of Alaska that the former institution will close its doors with the end of the Spring, 1975 semester. Your Interim Committee on Higher Education believes it is imperative that this particular requirement be enacted so that alumni of Alaska Methodist University will be able to secure transcripts of their records here in the State of Alaska, rather than to have to appeal to a distant body, namely the National Board of Missions of the Methodist Church to obtain a transcript of their records at this school. Thus, this measure is extremely timely. It carries an immediate effective date clause and we strongly urge our colleagues to give

this measure early favorable consideration at the first session of the Ninth Alaska Legislature. We believe this bill will provide an excellent device for regulating private vocational school industry operations primarily in Alaska as well as overseeing the operations of other private post-secondary educational institutions to ensure the maintenance of high quality post-secondary educational opportunities.

*Sub-Committee
Sent to Rep. Ostrom*

13 February 1975

Senator Genie Chance
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Senator Chance:

At your suggestion, I am writing this letter to indicate how we can serve most effectively as consultants on higher education to the Legislature during the period from February 1, 1975, through January 31, 1976.

In light of the fact that the Alaska Commission on Post-Secondary Education (the 1202 Commission) has not yet been organized, the Legislature continues to be in need of expert counsel on the rapidly changing higher education scene. My judgment is that we can be involved most effectively in the following ways:

- (1) serve as the legislature's professional staff in higher education, particularly as the issues pertain to educational legislation and budgets;
- (2) serve throughout the year as a continuing information-gathering group in order to keep the Legislative Council, the Interim Committee on Higher Education, and the Legislature closely informed on developments in Alaska higher education.

In order to perform these functions, Stephen McLean of McClellan Associates would be coordinator and I would serve as Project Director; we would bring in regularly consultants from across the nation who are experts in the areas in which there are particular problems or issues in Alaska higher education, as well as in the development of instructional television.

Even though these functions should eventually be assumed by the newly enacted Alaska Commission on Post-Secondary Education, the Commission, in our opinion, would be unable to become an effective agency for the next several months because it will need to organize itself, elect a chairman and vice chairman, select an executive director, and plan its course. During its formative period, the Commission will need unbiased, professional

guidance, which we can provide. Among the specific functions which I perceive to be desirable for us to perform during the coming twelve months would be

(1) provide professional expertise to the Legislature on Alaska Methodist University's announced plans to negotiate the sale of their campus to the University of Alaska.

(2) serve as a coordinator to bring together the experts and the resources for developing the technological delivery system, including instructional television, for post-secondary education in rural Alaska;

(3) function as a resource to interpret pertinent materials and programs from other parts of the country regarding their possible application in Alaska higher education;

(4) evaluate any new programs proposed by any of the institutions in Alaska in an effort to avoid duplication and waste of funds;

A number of matters and issues most likely will be important and probably should have special study during the year. This list includes, but is not limited to the following:

(1) the future of programs and personnel of Alaska Methodist University;

(2) the function of the University of Alaska in extended, diversified education for Alaska Natives;

(3) the strengthening of relationships between vocational-technical programs and the community colleges;

(4) preparing for the possibility of satellite television and producing the kinds of "software" in the form of courses, mini-courses, individual lessons, and other relevant materials for different parts of Alaska;

(5) the need for a study of what is happening to the students who have attended the community colleges-to include both graduates and dropouts from the community colleges;

(6) the need for a definitive study on fee structures within the University with particular reference to the possibility of going to the arrangement of charging different fees at different educational levels, rather than standardized;

(7) the need to prevent fraudulent educational activities such as "diploma mills".

I would anticipate that my colleagues and I would be able to bring a continuing objectivity to the evaluation of higher education in Alaska and to recommendations for the future. Since Alaska State government appropriates such a high percentage of the State's budget for higher education, the thrust of our proposal is that our group would serve the Legislature as a professional staff in this field so that the State would be exposed to alternatives and to objective data on higher education proposals.

This should result in considerable savings to the State by reducing its expenditures in higher education, as well as producing better coordination, efficiency and service.

We would expect to file a final report on our work by January 31, 1975, as we have done in previous years, in which we would analyze developments in higher education during the year and make recommendations for the future. We are particularly pleased that such a high percentage of the recommendations we have made in previous reports have been adopted.

The first contract between the Legislative Council and McLean Associates was \$50,000; for the past year's contract, which expired January 31, it was \$40,000, including \$10,000 for additional consultants. I have carefully calculated the costs, especially for bringing in experts from Caltech's Jet Propulsion Laboratory and satellite television specialists and, recognizing the service to be involved during the next twelve months, propose the same figure of \$40,000 for the period from February 1, 1975 to January 31, 1976. This sum would include all travel of all the individuals involved, the consulting fees, and all related expenses.

We feel the next twelve months in Alaska will be crucial in the history of higher education and would be pleased to be a part of it.

Sincerely,

Armen Sarafian

Armen Sarafian
Project Director

dedicated

ROBERT W. HIATT
PRESIDENT



UNIVERSITY OF ALASKA
OFFICE OF THE PRESIDENT
FAIRBANKS, ALASKA 99701

March 4, 1975

Mr. Rich Guthrie
Fiscal Analyst
Legislative Budget and Audit Committee
Pouch WF
Juneau, Alaska

Dear Rich:

On 28 February Don Dafoe replied to an inquiry by you relating to AMU physical assets.

The AMU Trustees' Committee made a proposal to the Board of Regents and the Board replied after sitting as a full Board. These documents are enclosed. This is the latest in negotiating events. I am also enclosing for your use and distribution as you see fit a synopsis of the AMU land purchases from BLM. As you can see, a total of \$102,000 was paid for 505 acres. The State paid them \$2,000,000 for 186 of those acres in 1972.

As to Bob Bradley's questions:

- Actual
Audit.
of Bond-HUD?
discount if HUD takes over, because AMU going on ill?*
1. There is a federal involvement (HUD) in the financing of AMU facilities. The indenture, arrears interest payments and penalties are listed in their proposal. We are checking with HUD to verify their accuracy and to learn whether HUD would be willing to shift these debts to the University of Alaska. *How about forgo. any*
 2. There is an amendment applicable to all parcels of AMU lands which requires their dedication in perpetuity for educational, recreational or health uses. This was placed on record when the State made the \$2,000,000 land purchase in 1972.

Guthrie, Mr. Rich

..2..

March 4, 1975

3. Independent appraisals of the AMU properties have been completed. We are not privy to AMU's appraisal, but ours is appended. We are now requesting an appraisal on "deferred maintenance" and on furniture and fixtures.

I should note that the land appraisals have been made on the basis of commercial values, for this is about the only basis available to appraisers. Naturally, lands dedicated for restricted uses, such as these, will be actually valued at a far lesser amount.

I probably will be in Juneau next week and would be pleased to meet with Bob Bradley and others on this or other matters. Please give him copies of the materials enclosed.

Best personal regards,

Sincerely,



Robert W. Hiatt
President

RWH:dm
Enclosures

ORIGINAL VALUES & AMOUNT PAID FOR ANU LANDS

(INFO FROM BLM ANK. FILES)

<u>PATENT NO.</u>	<u>ACREAGE</u>	<u>APPRAISED</u>	<u>DISC. ALLOWED</u>	<u>PAID</u>	<u>\$/ACRE</u>
1150278* November 28, 1958	242.5	\$ 36,375.00	68%	\$11,640.00	\$ 48.00
(1188433) same data <i>Expiry: 1983</i>		\$ 150.00 acre			
50-64-0186* June 2, 1964	227.5	\$204,750.00 \$ 900.00 acre	70%	\$61,425.00	\$ 270.00
50-64-0187* June 2, 1964	35	\$ 58,975.00 \$ 1,685.00 acre	50%	\$29,500.00	\$ 842.85
<u>Total appraised</u>	505 A	\$302,105.00		\$ 598.21/acre	
<u>Total paid</u>	505 A	\$102,565.00	65%	\$ 203.10/acre	

What's this? Why?

Four

Four

Note

Note

REFERENCE: ANU Real Estate produced by Tryrk, Nyman & Nays on file in University of Alaska Planning files.

These are patents to the land and therefore title is held by ANU and they can sell or lease as long as they do not violate the restrictive clauses. The 50 patent has a re-issue (PAT.1188433), but the original was not cancelled, so there are two patents for the same land.

- * Reverter clause expires at end of 25 years from issue.
- * Reverter clause runs in perpetuity.

Why not pay the commercial value? Ant? Less other

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement is made the ____ day of March, 1975, by and between the University of Alaska (hereinafter UA) and Alaska Methodist University (hereinafter AMU).

W I T N E S S E T H:

WHEREAS, AMU is willing to sell its campus and buildings and certain personal property at Anchorage, Alaska; and

WHEREAS, UA is desirous of purchasing said campus, buildings and personal property;

NOW, THEREFORE, the parties agree as follows:

1. AMU agrees to convey to UA in fee simple absolute its entire campus at Anchorage, Alaska, with the exception of the following described parcels:

Parcel No. 1

The West half (W 1/2) of the North half (N 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 2

The West half (W 1/2) of the Northeast quarter (NE 1/4) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 3

The South half (S 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 4

The Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

105/100
10/10/75



Parcel No. 5

All that portion south of University Drive of the North half (N 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

The land which is agreed to be conveyed hereby, excluding the above-described parcels, contains approximately 265 acres and is more fully described as follows:

Parcel No. 1

The East quarter (E 1/4) of the Northeast quarter (NE 1/4) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 2

The East half (E 1/2) of the East half (E 1/2) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 3

The North half (N 1/2) of the South half (S 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 4

The South half (S 1/2) of the South half (S 1/2) of the Northeast quarter (NE 1/4) of the Southeast quarter (SE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 5

The South half (S 1/2) of the South half (S 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 6

The North half (N 1/2) of the South half (S 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 7

The North half (N 1/2) of the Northwest quarter (NW 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 8

The Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 9

The North half (N 1/2) of the Southwest quarter (SW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 10

The South half (S 1/2) of the Southwest quarter (SW 1/4) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 11

The East half (E 1/2) of the Northeast quarter (NE 1/4) of the Southwest quarter (SW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 12

The South half (S 1/2) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 13

The Northwest quarter (NW 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 14

The South half (S 1/2) of the Northeast quarter (NE 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 15

The Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of the Northwest quarter (NW 1/4) of Section 27 (S27), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 16

All that portion south of University Drive of the North half (N 1/2) of the Southwest quarter (SW 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

Parcel No. 17

All that portion south of University Drive of the Northwest quarter (NW 1/4) of the Southeast quarter (SE 1/4) of the Southeast quarter (SE 1/4) of the Northeast quarter (NE 1/4) of Section 28 (S28), Township 13 North (T13N), Range 3 West (R3W), Seward Meridian.

2. AMU agrees to transfer to UA all improvements on said real property. The buildings include the following:

- a. Gould Hall
- b. Grant Hall
- c. Campus Center Buildings
- d. Behavioral Science Building
- e. Faculty housing (9 units)
- f. Maintenance and storage buildings

3. UA agrees to pay the sum of \$20,000,000.00 for the above-listed real property and improvements. The terms of said payment shall be as follows:

- a. The sum of \$3,000,000.00 as a down payment. Said down payment shall be reduced by the sum of the obligations for salary at current AMU rates assumed by UA as a result of the termination by AMU of its faculty contracts due to the closure of AMU and the employment by UA of some or all of the AMU faculty. The exact sum of said obligation shall be determined prior to May 1, 1975, by the joint UA-AMU administrative task force subject to the approval of the Presidents of the two Universities and shall be limited to the salary obligations at current AMU rates for faculty actually employed by UA for the 1975-1976 school year.

b. UA shall assume AMU's rights and obligations under that certain Indenture dated October 1, 1972, between AMU and the First National Bank of Anchorage, as Trustee, and under that certain Indenture dated April 1, 1966, between AMU and the First National Bank of Anchorage, as Trustee. The said Indentures have a principal balance of \$2,721,000.00, of which principal balance the sum of \$100,000.00 is presently in arrears. The additional sum of \$250,000.00 is presently due and owing under said Indentures, which sum includes \$95,000.00 interest in accordance with the payment schedules under said Indentures, \$140,000.00 deficiency in the sinking fund provided for in said Indentures, and the sum of \$15,000.00 in miscellaneous interest and penalties under said Indentures. UA agrees to assume all of said principal, interest and penalty obligations and bring all arrearages current. It is understood by the parties that the concurrence of the Trustee and the bond holder under said Indentures will be required prior to the assumption by UA of AMU's obligations under said Indentures. The parties agree to jointly approach said Trustee and bond holder to secure their approval to the assumption. The purchase price set out hereinabove shall be reduced by the amount of the assumed indebtedness under said Indentures.

*What a push
the legislature*

3. The first installment of the down payment shall be due on or before April 1, 1975 and shall be the sum of \$1,000,000.00. The balance of said down payment shall be due on July 1, 1975.

4. AMU shall, in addition, sell to UA furniture, fixtures and other personal property for the additional sum of \$800,000.00. Schedules of said furniture, fixtures and other

personal property shall be prepared and affixed to this agreement as exhibits. The parties understand that certain personal property may be subject to restrictions in the applicable deed of gift and AMU may therefore be required to retain said property.

5. The balance due of the purchase price shall be paid in equal annual installments commencing on the 1st day of July, 1976, and continuing annually thereafter on the 1st day of July until the total purchase price, together with interest at the rate of 8.5% per annum on the unpaid balance, is paid in full.

TO high 10 (6 1/2%)

6. The unpaid balance due under the terms of this agreement shall be evidenced by a promissory note which shall be secured by an appropriate deed of trust on the real property and improvements transferred hereby and by an appropriate security agreement covering the personal property transferred hereby. The deed of trust and security agreement shall be superior to all other security interests in said real and personal property with the exception only of the Indentures described in paragraph 3(b) hereinabove. The deed of trust and security agreement shall provide for a minimum of six months within which any default under said deed of trust and security agreement may be cured by UA.

✓ 7. AMU shall retain its art collection and its Alaskan library.

8. AMU shall retain office space in Grant Hall. The office space retained shall be the southwest corner of Grant Hall from the present front counter to the west side of Grant Hall and from the south side of Grant Hall to the boiler room, (executive and business suite) together with three offices on the east side of the main hall on the first floor of Grant Hall, which offices presently contain the University Development Offices, Grants office and the institutional research office. AMU shall lease

all of said offices from UA for an annual rental of \$1.00 per year. AMU shall retain title to the furniture, fixtures and office equipment presently located in said offices.

9. UA agrees to hire the present AMU registrar on a permanent basis to maintain the AMU student records.

10. The parties through the negotiating committees, the Board of Regents and Board of Trustees respectively, and through the parties' legal counsel shall cooperate fully in securing approval of the sale by the Legislature of the State of Alaska and by the United States Department of the Interior. Both parties agree to use their best efforts to promptly secure the approval of both of said agencies.

11. The details regarding the implementation of the transfer of the property and improvements of AMU to UA shall be negotiated by the joint AMU/UA administrative task force subject to the approval of the Presidents of the two institutions. Any dispute which cannot be finally resolved between those groups shall be submitted to the sale negotiating committees appointed by the Regents and Trustees of the two universities. Any dispute which cannot be resolved through negotiations between that committee shall be submitted for arbitration by the parties under the rules of the American Arbitration Association. The results of said arbitration shall be binding upon the parties.

12. It is understood and agreed by the parties hereto that this agreement is a preliminary agreement intended to express the general understanding of the parties with regard to the terms of the sale and that this agreement may require amendment, modification or substitution at a later date.

DATED the day, month and year first written hereinabove.

UNIVERSITY OF ALASKA

By: _____

Its _____

ALASKA METHODIST UNIVERSITY

By: _____
Its _____

March 3, 1975

TO: Alaska Methodist University Trustees' Committee

FROM: University of Alaska Board of Regents

RE: Responses to AMU Trustees' Draft Memorandum of Agreement
Concerning the Sale of the AMU Campus, Buildings, Furniture and
Fixtures

The Board of Regents met on Friday, 28 February to review and respond to the draft Memorandum of Agreement (MOA) concerning the sale of the AMU campus, buildings and certain personal property at Anchorage submitted by the Reverend Ac C. Wischmeier to Mr. Robert McFarland, President of the Board of Regents of the University of Alaska.

The Board concurred on certain important basic approaches with respect to this transaction which provided direction for specific responses to points made in the draft MOA. These are herewith noted and form a preamble to the specific responses detailed later.

The transactions between Alaska Methodist University and the University of Alaska being entered into now differ fundamentally from those resulting in the purchase of AMU lands in 1972. The 1972 land purchase was the most convenient vehicle available to the State of Alaska for providing major substantive financial aid to AMU for the express purpose of maintaining AMU as a viable institution so that it might continue to provide Alaskans seeking post-high school education a choice between public and private educational delivery systems. Because of this objective, the land involved was priced and acquired at near or at its "fair market value" without patent restrictions.

The current transaction is not involved with the maintenance of AMU as an institutional alternative to public higher education in Alaska, but rather one which will enable AMU to close its operations, pay its incurred debts and ostensibly establish an organization with any remaining funds, the nature of which is yet unknown but which will in some manner benefit higher education in Alaska. The resulting organization, presumably will be eleemosynary.

The AMU campus lands are dedicated in perpetuity for educational, recreational or health purposes. They were given to AMU without fee for educational purposes. Thus, although the appraisers had no choice but to value the lands on the basis of current commercial transactions in the vicinity and to assume that there was no restriction on the title, the Regents feel that a [token] payment should be negotiated for said lands.

*

March 3, 1975

Alaska Methodist University Trustees' Committee/ University of Alaska Board of Regents
..2-

The Regents wish to make clear to the AMU Trustees that the amount and schedule of payments are the prerogative of the Legislature and the Governor. To effect this transaction in the most expeditious and timely manner the Regents and the Trustees should present to these State governmental bodies an agreed program fully and jointly supported. The President of the Board of Regents, Mr. McFarland, invites your Trustees' Committee to meet with the Regents' Committee at the earliest date possible following receipt of this response to the draft MOA.

Herewith are the specific responses to the numbered points set forth in the draft MOA.

1. The Regents are willing to negotiate an excepted parcel of land for AMU use, but not necessarily the parcels specified in the draft MOA. An explanation of uses to be made of the property and choices of location can be presented for resolution at the joint negotiating Committee meeting.
2. Acceptable.
3. The Regents are agreeable to negotiating a total sum for the campus and buildings based upon (1) a fair appraisal of the buildings which has taken into consideration their deferred maintenance; (2) a fair appraisal of furniture, fixtures and other personal property; and (3) a sum which is based upon a token payment for land dedicated to educational use.
 - 3a. Acceptable, depending upon legislative appropriation.
 - 3b. Acceptable dependent upon the Regents' negotiations with HUD concerning the now delinquent sums. Should the Regents be unable to negotiate any or all of these delinquent sums with HUD, such sums would have to be deducted from the specified down payment of \$3,000,000.
 - 3c. Acceptable, but subject to legislative approval.
4. Acceptable in principle. The Regents' appraiser has not considered these items, but will do so when a schedule of said items is prepared.

- 5. Schedule of payments will depend upon legislative approval. Because an eleemosynary organization is contemplated with the sale's net proceeds, the Regents believe a prime rate of interest improper, and will agree instead to a rate of 5 per cent subject to legislative approval.
- 6. Acceptable.
- 7. Acceptable providing the Alaskan library is not part of the Consortium Library collection already purchased and owned by the University of Alaska.
- 8. Retention of office space specified in Grant Hall is not acceptable. Should furniture, fixtures and office equipment presently located in such offices not be involved in the sale, the schedule of appraisals should clearly omit it.

The Regents would consider the rental of space to the AMU successor organization in locations and under conditions agreeable to the Administration of the University of Alaska.

- 9. This proviso is not acceptable for inclusion in this MOA. The joint Administrations are now planning for the transfer of selected personnel, programs and other important aspects, such as student records, from AMU to the University of Alaska. This matter will be included in that transaction.

- 10. Acceptable.

- 11. With the deletion of the last two sentences referring to "arbitration," this point is acceptable.

- 11a. (Board of Regents' statement re litigation) AMU will hold UA harmless for any litigation or liability arising in relation to the operation of AMU or arising prior to the transfer of possession of the premises to UA.

- 12. Acceptable.

Handwritten notes:
 Are they
 separating
 students & teachers
 from the Regs. &
 Board?
 Is it they (adm.) has
 authority over
 Regs.

Robert W. Shatt

Robert W. Shatt
Executive Officer of the Board of Regents

DIRKSEN APPRAISAL COMPANY

file 480

PAUL P. DIRKSEN, S.R.A.-R.M.

531 West Third Avenue, Anchorage, Alaska 99501

(907) 277-8675

December 31, 1974

RECEIVED
OFFICE OF PLANNING &
INSTITUTIONAL STUDIES

DIST. JAN 3 1975 LCC # 2
DCM PAH JLO

Dr. Donald C. Moyer
Director of Planning
University of Alaska
Fairbanks, Alaska 99701

Re: Appraisal of Alaska Methodist University

Dear Dr. Moyer:

As requested, I have made an inspection and preliminary analysis of the value of land and buildings owned by Alaska Methodist University. The land is described as follows:

- The NW $\frac{1}{4}$ Section 27 EXCEPT The NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27;
- The N $\frac{1}{2}$ SW $\frac{1}{4}$ Section 27;
- The NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 28;
- The SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27 lying South of University Drive;
- The E $\frac{1}{2}$ E $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27 lying North of University Drive;
- The SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ North of University Drive.

The gross area is approximately 292.69 acres.

Alaska Methodist University proposes to sell this property to the University of Alaska. The purpose of this preliminary estimate is to ascertain a fair price to be paid for the real estate. While the final appraised value may vary somewhat from this preliminary estimate, it should not be significantly different.

In my opinion, the Market Value of the Alaska Methodist University real estate as of December 27, 1974 is:

NINETEEN MILLION, TWO HUNDRED THOUSAND

(\$19,200,000)

*See p. 6 for
restriction on release
of this info. to public media!*

Allocation:

<u>Improvements</u>	<u>Present Value</u>
(1) Underground Utilities	\$ 277,186
(2) Parking	69,027
(3) Student Union	5,663,886
(4) Grant Hall	3,654,509
(5) Gould Hall	1,409,600
(6) Behavioral Sciences	31,159
(7) Shop Garage	52,029
(8) Ski Jump	67,900
(9) Carillon	72,750
(10) Tennis Courts	28,384
(11) Hockey Rink	24,302
(12) Landscaping	158,586
(13) Faculty Residences (including land)	652,500
Total Improvements	<u>\$12,161,818</u>
Land	<u>7,000,000</u>
TOTAL VALUE ALASKA METHODIST UNIVERSITY REAL ESTATE	\$19,161,818
(rounded)	<u><u>\$19,200,000</u></u>

Methodology:

The subject is a special purpose property. The standard method of appraising special purpose properties is to value the improvements based on cost new less depreciation then add the land. Depreciation must include all forms including

physical deterioration, functional obsolescence and economic obsolescence when these elements are present.

The land is zoned PLI, Public Lands and Institutions District, by the Greater Anchorage Area Borough. This district is intended to include major open lands, major public and quasi public institutional uses. The standard method in appraising land in this type of zoning is to substitute the highest and best use of the land as if it were in the private sector. This is because parks and institutional lands very seldom transfer on a Market Value basis. The highest and best alternate use for this land would be for a PUD, which includes condominiums, apartments, a small amount of offices and commercial and possibly some single family residences. The subject land has been valued on this basis.

There is a restrictive covenant in the patent from the Bureau of Land Management to Alaska Methodist University which restricts the use of this land to school purposes. The sale agreement between Alaska Methodist University and the University of Alaska for 197 acres of adjacent land in 1972 also contained a restriction on the remaining Alaska Methodist University land to school purposes. The land value in this preliminary estimate has not been penalized because of the restrictions placed on the land. Prior to completion of the final appraisal, I would like to have an opportunity to discuss the impact of these restrictions with counsel.

[The land has been appraised with the streets in place. That is to say, land is more valuable with street frontage than land without street access. Therefore, although the streets are privately owned and maintained, the value of those streets is included in the land value.] Near the South end of the property is a 25 acre lake which was created by mining of the gravel resources previously located thereon. Assuming that Chester Creek, which flows nearby, could be diverted in and out of the lake to fill it and freshen it, the lake is an asset to the land. The 25 acre lake area has been deducted from the total land area for purposes of calculation of land value. However, the 58.4 acres surrounding the lake have been valued at a higher unit value than the rest of the land.)

The faculty residences have been valued on a comparative basis rather than cost less depreciation. This method includes the land on which a residence is located. Typical lot size for residences of this size is 16,000 square feet each, which would result in 3.31 acres being utilized for faculty housing.

Dr. Donald C. Moyer
December 31, 1974
Page 4

This land value is included with the value of the faculty housing and was, therefore, deducted from the land area which was valued on an acreage basis.

Land Values:

58.4 Acres @ \$35,000/Acre	=	\$2,044,000
192.18 Acres @ \$25,000/Acre	=	4,804,500
<u>13.8 Acres @ \$15,000/Acre</u>	=	<u>207,000</u>
264.38 Acres TOTAL		\$7,055,500
25 Acre Lake		
3.31 Acres with Faculty Housing		
	(rounded)	<u>\$7,000,000</u>

As requested, the above presentation has been abbreviated with the supporting evidence retained in the appraiser's files. The final appraisal, when requested, will contain the back-up evidence for land value, cost of reproduction estimates and the comparable sales utilized in valuing the faculty housing.

The land areas utilized are approximate. No survey was made, and there is no warranty as to land area.

We acknowledge assistance of Terry Gorsuch, Cost Estimator, and Fred Ferrara, Appraiser, in this report.

We wish to thank you for this opportunity to be of service.

Sincerely,
DIRKSEN APPRAISAL COMPANY

Paul P. Dirksen

Paul P. Dirksen

PPD/sm

Attachments (5)

*Is this guy
Wash. Dep. Comm. for Public Works -
Council who spoke to Committee*

Report to P. 1

Dr. Moyer

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.



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THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

ASSUMPTIONS AND LIMITING CONDITIONS

1. No legal questions are considered in this analysis, such as titles, encumbrances, etc.. The property is considered as if free and clear.
2. All dimensions and legal descriptions are assumed to be correct, as furnished.
3. All information, as found in data furnished, is deemed to be reliable. If any errors are found, the right is reserved to modify the conclusions reached.
4. No study has been made to determine whether structures may have an infestation, such as termites or dry rot. In the absence of such study, it is assumed the property is free of such problems.
5. While various "approaches to value" and various mathematical calculations have been used in estimating value, these are but aids to the formulation of the opinion of value expressed by the appraiser in this report. In these calculations, certain arithmetical figures are rounded off to the nearest significant amount.
6. The data and conclusions embodied in this appraisal are a part of the whole valuation. No part of this appraisal is to be used out of context; and, by itself alone, no part of this appraisal is necessarily correct, as being only part of the evidence upon which final judgment as to value is based.
7. Employment to make this appraisal does not require testimony in court, unless mutually satisfactory arrangements are made in advance.
8. This appraisal is made in accordance with the standards of the American Institute of Real Estate Appraisers.
9. Fair Market Value is defined as "the price it (the real estate) will bring between a willing buyer and a willing seller, with equity to both.
10. This report is delivered subject to the stipulation that neither all nor any part of the contents shall be conveyed to the public media through advertising, public relations, news, sales or any other media without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser, his firm, or any reference to the American Institute of Real Estate Appraisers.

CERTIFICATION:

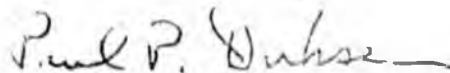
The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
2. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
3. To the best of my knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.
4. This appraisal report sets forth all of the limiting conditions affecting the analyses, opinions and conclusions contained in this report.
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.
6. No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.

RESTRICTION UPON DISCLOSURE & USE:

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.

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 he is connected, or any reference to the American Institute of Real Estate Appraisers or to the M.A.I. or R.M. designation) 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.



Paul P. Dirksen, S.R.A. - R.M.

QUALIFICATIONS OF PAUL P. DIRKSEN, S.R.A., R.M.

PROFESSIONAL AFFILIATIONS:

Society of Real Estate Appraisers, Designation - S.R.A.
President, Anchorage Chapter #158, 1974-75
American Institute of Real Estate Appraisers, Designation - R.M.
American Right of Way Association
Anchorage Board of Realtors

EDUCATION:

Miami University, B.S., 1957, Oxford, Ohio
AIREA Appraisal Course I, Milwaukee, Wis., 1958
AIREA Appraisal Course II, University of Pacific, 1963
AIREA Appraisal Course IV, University of San Francisco, 1964
University of California, 1962 - 1964

BUSINESS EXPERIENCE:

Dirksen Appraisal Company, Anchorage
Alaska Department of Highways,
State Supervising Appraiser
Alaska Attorney General's Office,
Special Consultant on cases related to eminent domain
Savings & Loan Commissioner's Office,
Appraiser Class IV (California)
Lloyd Thomas Company, Chicago, Ill.
American Appraisal Company, Milwaukee, Wis.

COURT EXPERIENCE:

Qualified as Expert Witness in various Superior Courts

TYPICAL CLIENTELE:

Alaska Department of Highways
Alaska State Housing Authority
Greater Anchorage Area Borough
Alaska Department of Public Works,
Division of Aviation and Division of Buildings
University of Alaska
City of Anchorage
City of Fairbanks
City of Juneau
U.S. Coast Guard
Washington Highway Commission
San Francisco Bay Area Rapid Transit District
Various Urban Renewal Agencies
Private property owners and attorneys