

SB

159

Leasing residential land was conceived as a method of making land available to those people who could not afford to purchase land at state sales. Leasing at a low fee would encourage development and construction of homes and increase local tax bases. This noble idea has been misconceived and totally revised over the years until the program now resembles a great loan shark scheme which entices you with a low fee and after you are hooked raises the fee by 1000% or more. Enclosed are the leases re-appraised in 1975 and 1976. Please note that all of the lower percentage increases are on non-profit or other state agency leases, i.e., Highways, Fish and Game, etc. At these rates, it would be cheaper to buy land than to rent. Over a period of 15 to 20 years you will have paid for the land plus interest, twice; after that your costs would multiply.

At present, all state leased land is of no value because of the uncertainty of the future rent, and the unavailability of mortgage financing. It is imperative that something be done immediately to correct this situation. The Governor's bill does not even address the problem.

The present Administration has over-reacted to the publicity about the Teamster's and Penney leases and have a paranoia that the state should make millions from leaseholders, 95% of whom receive no income at all from leased land.

The real facts are that leased land has always been over or underpriced by a foolish desire to establish a percentage of the fee simple value as the rental figure. This only works when demand is greater than supply, which is not the case in land in Alaska. Most of the lease sales were failures as the land was not leased at the time of sale. Some was leased later over the counter when the market value caught up to the price, and some was withdrawn. Today there are less than 25,000 acres of state land leased to private owners, of some 5 to 6 million acres set aside for leasing.

Instead of trying to increase the rental of acreage leased to impossible rates, the state should embark on a reasonable program to get the rest of its land paying something.

Income from rental from leased land in 1975 for University and Mental Health Lands was \$184,218. In spite of the fact that together the University and the Mental Health lands total over 2 million acres, less than 1/10 of 1% is leased after 17 years of statehood.

R A Williams

Former employees of the Division have stated that since leases seldom sold at the sales they concluded that there was no market. Apparently no one took the view that maybe 6% of fee simple was too high a rate for residential land.

I will close with a comment of the Governor's Ad Hoc Committee. This committee was designed by the former Commissioner to review the leasing program and act as an arbitrator between the leaseholders and the Division of Lands. Unhappily, the Commissioner was engrossed in the D2 Lands, the Cook Inlet swam, the Outer Coast Oil Lease Sale and a dozen other vitally-important items in Washington, D. C., and the members of the committee were selected by the Director, M. Smith. Most were either employees of the state, or former state employees, and a few are potential employees or contractors with the state.

The Arbitrators soon became the Advocates of the Division and their Bill - HB 387 - duly describes their thinking. It does not address the main problem. It provides no solution for financing, and it assumes the state should or can lease thousands of acres of land at ten times the lifetime price of a purchase.

RENT ADJUSTMENTS FOR

STATE LEASED LANDS

1975

ADL No.	Old Rental	New Rental	Per cent Increase (Decrease)
01227	112.50	1,575.00	1,300
51107	110.00	1,100.00	900
02534	608.50	25,500.00	4,090
01302	75.00	248.00	230
25068	100.00	380.00	280
38895	180.00	1,404.00	680
25305	1,425.00	2,886.00	103
52370	6,075.00	13,032.00	115
00273	6,780.00	14,400.00	112
52167	970.00	9,600.00	890 <i>R. Williams</i>
52209	195.00	2,040.00	946 <i>P. & W. Williams</i>
52168	830.00	8,500.00	924 <i>Wool - Thompson</i>
50738	1,400.00	5,280.00	277 <i>Arch.</i>
44569	175.00	350.00	100 <i>Palmer</i>
49723	150.00	605.00	303
<i>A.W. No 1 F1</i> 41417	225.00	670.00	198
50598	50.00	630.00	1,160
00775	1,000.00	24,960.00	2,396
17103	1,000.00	18,800.00	1,780
51238	145.00	1,680.00	1,059
51515	160.00	1,680.00	950
51621	180.00	1,410.00	683
51428	220.00	1,770.00	704
50938	190.00	1,940.00	921
51065	210.00	1,700.00	709
<i>A.T. COBB</i> 46473	60.00	260.00	333
<i>R.L. THIEL</i> 46474	60.00	260.00	333
52177	150.00	180.00	20
52182	250.00	285.00	14
21477	45.00	265.00	489
52185	300.00	320.00	7
51147	40.00	170.00	325
52422	40.00	170.00	325
52421	40.00	170.00	325
52187	75.00	175.00	133
52186	75.00	175.00	133
52190	40.00	100.00	150
52191	100.00	680.00	580
52714	40.00	165.00	312
52208	80.00	100.00	25

State Leased Lands, 1975

	ADL No.	Old Rental	New Rental	Per Cent Increase (Decrease)
	52205	50.00	220.00	340
	52194	150.00	100.00	(50)
	52192	250.00	235.00	(6)
	50172	155.00	755.00	387
	50688	75.00	175.00	135
	52199	55.00	135.00	145
	26653	235.00	470.00	100
	26654	235.00	470.00	100
J. M. PARSONS	52179/600 W. 11	235.00	470.00	100
P. SYKES	52180 Box 1014	260.00	545.00	110
	52170	325.00	575.00	77
S. RESTAD	52365	125.00	245.00	96
	52430	125.00	245.00	96
G. WHITE	52213	315.00	325.00	3
	52171	150.00	295.00	97
	52172	150.00	295.00	97
	52213	315.00	295.00	(7)
E. POHL	52174	160.00	325.00	103
	50587	150.00	385.00	157
	50588	145.00	325.00	124
	52703	40.00	100.00	150
	45008	65.00	2,400.00	3,592
	40014	220.00	2,430.00	1,005
	45586	80.00	150.00	88
	45585	460.00	675.00	47
	26511	1,000.00	5,525.00	452
	46628	140.00	1,680.00	1,100
J. KELLY	46620	160.00	1,620.00	912
	46383	110.00	600.00	445
	49755	125.00	390.00	212
	25956	125.00	390.00	212
	47414	150.00	834.00	456
	49060	250.00	702.00	181
	22348	260.00	390.00	50
	24099	215.00	420.00	95
	36015	180.00	250.00	39
	21928	1,260.00	10,920.00	767
	01380	1,190.00	3,552.00	198
	51395	820.00	3,054.00	272
	00889	2,600.00	5,976.00	130
J. PRITZA	01308	7,170.00	10,014.00	40
	49685	145.00	1,260.00	769
	49795	175.00	1,500.00	757
	25988	240.00	275.00	15
	26269	165.00	190.00	15

RENT ADJUSTMENTS FOR

STATE LEASED LANDS

1976

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase (Decrease)</u>
71326		3,500.00	
22526	360.00	2,150.00	497
22525	175.00	3,360.00	1,820
22654	95.00	1,192.00	1,155
50603	85.00	840.00	888
22652	155.00	4,350.00	2,706
44351	100.00	438.00	338
44350	80.00	744.00	830
46483	110.00	750.00	582
02380	880.00	6,540.00	643
39877	1,000.00	2,280.00	128
30489	240.00	2,350.00	879
26632	1,835.00	6,900.00	276
32919	1,020.00	2,760.00	171
31328	120.00	840.00	600
54326	175.00	910.00	420
54331	165.00	910.00	452
54365	205.00	950.00	363
54332	225.00	950.00	322
40806	355.00	690.00	94
54345	200.00	550.00	175
54346	175.00	550.00	214
54347	210.00	550.00	162
54349	190.00	575.00	203
54333	260.00	665.00	156
54334	250.00	690.00	176
54335	105.00	605.00	476
54336	120.00	605.00	404
54337	110.00	625.00	468
54338	145.00	690.00	376
54339	210.00	690.00	228
54340	200.00	690.00	245
54341	280.00	690.00	146
54342	270.00	690.00	156
32128	115.00	690.00	500
32065	115.00	665.00	478
54344	160.00	635.00	297
54351	430.00	870.00	102
JWILHOVR 03045	3,985.00	32,800.00	723
T.CAREY 03042	2,925.00	22,360.00	664

State Leased Lands, 1976

	<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase</u>
	03050	990.00	7,400.00	647
	53595	1,775.00	11,760.00	562
	03041	1,340.00	9,360.00	598
	03049	700.00	6,160.00	780
	51395	820.00	6,160.00	651
	03040	820.00	6,160.00	651
	03059	820.00	6,160.00	651
	03070	950.00	7,000.00	637
	47382	680.00	5,000.00	635
	03058	1,010.00	6,680.00	561
	03067	700.00	5,160.00	637
	03044	8,495.00	75,440.00	788
	47378	1,720.00	14,400.00	737
	47598	3,260.00	27,360.00	739
	03051	1,410.00	13,680.00	870
	03062	1,635.00	13,680.00	737
	03071	1,410.00	13,680.00	870
	03069	800.00	6,000.00	650
J.B Rigby	03066	1,745.00	11,600.00	565
	03063	945.00	6,600.00	598
	03048	945.00	6,600.00	598
	03068	945.00	6,600.00	598
	03073	945.00	6,600.00	598
	03039	1,425.00	10,280.00	621
PJT inc	03052	2,490.00	18,400.00	639
A.G. Inc.	03102	3,955.00	28,640.00	624
L Brown	03064	1,305.00	9,120.00	599
	03104	930.00	6,520.00	601
	49686	1,835.00	13,240.00	622
	57237	1,835.00	13,240.00	622
G. Moore	03065	3,670.00	26,480.00	622
J Bielewski	03057	3,665.00	27,040.00	638
K Schank	03053	890.00	6,640.00	646
	30746	915.00	6,880.00	652
	03043	910.00	6,680.00	634
N. Bohner	47983	135.00	1,300.00	863
P. M. Richardson	49430	175.00	1,400.00	700
L Wohlfort	47809	175.00	1,450.00	728
R Geort	49172	120.00	1,300.00	983
A. Saucer	46499	270.00	1,650.00	511
	53444	140.00	1,200.00	757

Rent Adjustments for
State Leased Lands, 1976

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase (Decrease)</u>
27894	155.00	155.00	15
27948	200.00	230.00	15
50816	40.00	180.00	350
50669	40.00	120.00	200
47776	42.00	100.00	138
36315	40.00	100.00	150
47777	40.00	100.00	150
47778	40.00	100.00	150
35199	40.00	100.00	150
47775	42.00	100.00	138
41843	40.00	100.00	150
46609	72.00	100.00	39
47151	90.00	100.00	11
00037	700.00	5,250.00	650

COOK INLET REGION, INC.



1211 WEST 27th AVENUE
(907) 274-8638

P.O. BOX 4-N
ANCHORAGE, ALASKA 99509

April 15, 1977

The Honorable Jay S. Hammond
Governor, State of Alaska
Pouch "A"
Juneau, Alaska 99811

Dear Governor:

As a member of the Ad Hoc Advisory Committee on State Land Practices and Procedures, I wish to make the following comment on our final report of April 1977.

I do agree with the committee's report and stand behind it with one reservation. I do not pretend to have an answer but only concern. I feel that the lease rental increases being left open with a possible increase every five years to 100 percent is too much of a hardship on an individual leasing lands. I would think by having an open ended increase it would put an extraordinary heavy burden on the lessor for the purpose of financing any one project for the simple reason the banks would never know what the lessor would ultimately have to pay for the lease. Again, I state to you that I have no answer for the best possible solution, but only a great concern that I hope is given much more consideration before a final bill is passed through the legislator.

I appreciate the opportunity you have given me in serving with this committee.

Sincerely,


Carl H. Marrs
Land Manager

cc:
Representative Alvin Osterback ✓
House Resources Committee

Theodore G. Smith, Co-Chairman

AGO 936036 +

Introduced: 3/4/77
Referred: Rules

1 IN THE SENATE

BY SACKETT

2 SENATE RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 Congratulating Jean Elizabeth Dementi on
6 her ordination into the Episcopal priest-
7 hood.

8 BE IT RESOLVED BY THE SENATE:

9 WHEREAS Jean Elizabeth Dementi was recently ordained into the Episcopal
10 priesthood, and she is the first woman in Alaska to be so ordained; and

11 WHEREAS since 1951 Jean Dementi has been serving the Alaska bush as a
12 missionary nurse in Nenana, as a hospital superintendent and nurse in Fort
13 Yukon, and as a nurse-evangelist in Shageluk and Anvik; and

14 WHEREAS she has served the spiritual needs of the Alaska bush communities
15 of Shageluk, Grayling and Anvik for 22 years, first as a lay minister, then
16 since 1972 as a deacon of the Episcopal Church, again the first woman in
17 Alaska to be so ordained; and

18 WHEREAS Jean Dementi has the utmost respect as an educator and a "bed-
19 rock" theologian from the Bishop and the diocesan staff in Alaska;

20 BE IT RESOLVED that the Alaska State Senate extends its warmest congratu-
21 lations to Jean Elizabeth Dementi on the occasion of her historic ordination
22 into the Episcopal priesthood, culminating 26 years of service to the Alaskan
23 bush and to the church.

24 A COPY of this resolution shall be sent to Jean Elizabeth Dementi of
25 Shageluk.

26

27

28

29

Leasing of land.

Based on an annual rental increase determined by the C.L.I. or C.P.I. (Assumes a 6% annual increase)

Base rental - \$100 for first year.

8th year - \$150.36 - a 50% increase

13th year - \$201.21 - a 100% increase

17th year - \$254.03 - a 150% increase

20th year - \$302.43 - a 200% increase

25th year - \$404.72 - a 300% increase

30th year - \$541.60 - a 34% increase in 5 years.

35th year - \$725.98 - a 79% increase in 10 years

40th year - \$971.52 - a 34% increase in 5 years.

45th year - \$1,300.12 - a 79% increase in 10 years.

Annual rental has increased 13 times in 45 years

50th year - \$1,739.86 - a 34% increase in 5 years

55th year - \$2,317.59 - a 78% increase in 10 years.

Annual rental has increased 23 times in 55 years.



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Darwin Smith
Cheri Lake Star Route Road
Wasilla, Alaska 99687

Dear Mr. Smith,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

After the bill left House Resources, it was further revised in the Rules Committee (House). Please find a copy of that version attached. The bill has still not passed the legislature. The Senate would not accept the present version from the House, so a Free Conference Committee was appointed to iron out the differences. Legislators appointed to the Free Conference Committee are:

Senator Sumner
Senator Croft
Senator Huber

Representative Freeman
Representative Urion
Representative Smith

This Free Conference Committee has not, to date, come up with a compromise bill. I have urged them to do so this session and I am confident that they will.

If you still have problems with the Alaska Division of Lands' land leasing program after passage of this legislation, please let me know and perhaps we can arrange for your personal input during the 1978 session.

You will find enclosed: 1) a copy of CSSB 159 (Finance) in the form of the bill when it was reported out of the House Resources Committee; 2) a copy of HCS CSSB 159 - the present form of the bill; and 3) a list of people who testified before the House Resources Committee on the issue.

Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Donald Huseby
SBR Box 178
Palmer, Alaska 99645

Dear Mr. Huseby,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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Page 2

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Perlia Strassburg
Star Route Box 2751
Wasilla, Alaska 99687

Dear Perlia,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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AGO 936007

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Robert A. Williams
Star Route B, Box 180
Palmer, Alaska 99645

Dear Mr. Williams,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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AGO 936009

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

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Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Robert H. Etukeok
Bureau of Indian Affairs
Employment Assistance Branch
Box 120
Anchorage, Alaska 99510

Dear Mr. Etukeok,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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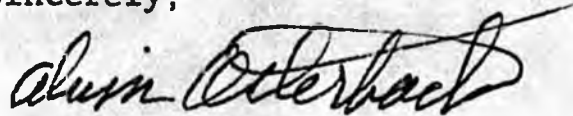
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AGO 936011

If you still have problems with the Alaska Division of Lands' land leasing program after passage of this legislation, please let me know and perhaps we can arrange for your personal input during the 1978 session.

You will find enclosed: 1) a copy of CSSB 159 (Finance) in the form of the bill when it was reported out of the House Resources Committee; 2) a copy of HCS CSSB 159 - the present form of the bill; and 3) a list of people who testified before the House Resources Committee on the issue.

Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Gregory Black
Big Lake Route, Box 86
Wasilla, Alaska 99687

Dear Mr. Black,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

After the bill left House Resources, it was further revised in the Rules Committee (House). Please find a copy of that version attached. The bill has still not passed the legislature. The Senate would not accept the present version from the House, so a Free Conference Committee was appointed to iron out the differences. Legislators appointed to the Free Conference Committee are:

Senator Sumner
Senator Croft
Senator Huber

Representative Freeman
Representative Urion
Representative Smith

This Free Conference Committee has not, to date, come up with a compromise bill. I have urged them to do so this session and I am confident that they will.

AGO 936013

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Rodny D. Strassburg
Star Route, Box 118
Willow, Alaska 99688

Dear Mr. Strassburg,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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AGO 936015

Page 2

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn

AGO 936016



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

Richard Smith
Big Lake Route
Wasilla, Alaska 99687

Dear Mr. Smith,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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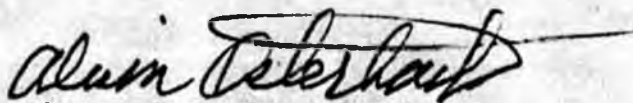
Representative Freeman
Representative Urion
Representative Smith

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

24 May 1977

David Dilley
SRB Box 548
Palmer, Alaska 66645

Dear Mr. Dilley,

I received your telegram some time ago on the state land leasing issue. As you know, the House Resources Committee was considering HB 383, HB 387, and SB 159 all at the same time. SB 159 and HB 387, were at that time almost identical. The House Resources Committee chose CSSB 159 (Finance) am as the best of the three bills and sent it out of Committee in late April. Upon receipt of your telegram, and a number of others of the same nature, I gave serious thought to holding a hearing in the Anchorage - Wasilla - Palmer area. Due to the session nearing a close, however, public hearings in your area would have delayed action on this issue until next year. In most cases I would honor a request such as yours and I regret not being able to do so in this case. I felt then, and do feel now, that action on this issue was of immediate importance because if something was not passed this session, some people faced the danger of losing businesses.

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Sincerely,



Rep. Alvin Osterback
Chairman
House Resources Committee

Enclosures

cc: Rep. Al Ose

AO:jn

Persons who testified before the House Resources Committee on "the leasing of state land other than for the extraction of natural resources."

28 March 1977

Representative Miles, sponsor of HB 387

George Silides, Resource Consultant for the Senate and House Resources Committees

Ted Smith, Director of the Alaska Division of Land & Water Management

Lowell McNutt, lessee in the Alaska Industrial Subdivision

Joe Wilhour, lessee in the Alaska Industrial Subdivision

David McCabe, private appraiser & member of the ad-hoc committee

Jamie Love, member of the ad-hoc committee

Ken Davis, lessee in the Alaska Industrial Subdivision

Robert Ford, lessee in the Alaska Industrial Subdivision

Hugh Galleck, co-chairman of the ad-hoc committee

Joe Norman, a member of the ad-hoc committee

Bill Mack, Chairman of the Alaska Land & Lease Holders Assoc.

Herb Lang, member of the ad-hoc committee

13 April 1977

Ken Davis

Bill Mack

Senator Kay Poland, original sponsor of SB 159

18 April 1977

Ted Smith

Darwin Heiny, speaking for the state Board of Education

Ken Davis

Robert Ford

Leon T. Brown, lessee in the Mountain Home Subdivision.

FINAL REPORT AND RECOMMENDATIONS

April, 1977

THE GOVERNOR'S AD HOC ADVISORY COMMITTEE ON
STATE LAND PRACTICES AND PROCEDURES

TABLE OF CONTENTS

- I. Summary of the Committee's Formation, Mission and Accomplishments
- II. Individuals on the Committee
- III. Committee Work Process
- IV. Findings and Recommendations of the Committee
- V. Appendix
 - A. List of People Giving Public Comments
 - B. Recommended Bill Presented to the Legislature
 - C. Recommended Standard Lease Form with Attachments

I. SUMMARY OF THE COMMITTEE'S FORMATION, MISSION, AND ACCOMPLISHMENTS

On October 8, 1976 the Governor's Ad Hoc Advisory Committee on State Land Practices and Procedures met for the first time. The mission of the committee was outlined by Guy Martin, Commissioner of the Department of Natural Resources. He said that the Governor desired a small, precise, and efficient panel to find new ways to improve state land practices and procedures, not to set policy but to address the legal and technical aspects of disposal and other contractual relationships. Judgments, criticisms, and new recommendations were to be effected. Michael C. T. Smith, Director of the Division of Lands, clarified the mission further by adding that the committee should:

- 1) consider primarily revenue production, as opposed to social benefits, in its analysis;
- 2) make no assumptions as to state policy regarding the number, size, and location of land sales or other disposals; and
- 3) recommend changes that will be applicable to any likely state land policy.

The committee made a dedicated attempt to accomplish its mission. The tasks of studying existing statutes, regulations, and practices, and examining them in light of current land disposal and contractual relationships was formidable, but many members worked successfully to this end. Uncovering and identifying disposal and contractual problems involved considerable time and effort. Correct identification of a particular problem of this nature is a major step toward solving it. Perhaps the greatest success of the committee was discerning from Division of Lands personnel and state lessees the exact nature of their problems and concisely defining them. This action will have a lasting effect on Division of Lands personnel who are charged with formulating policy and procedures for land disposals and contractual relationships. The committee did make significant recommendations to effect changes in statutes, regulations, and Division procedures and policy. The lease form used by the State was revised to include terms and conditions that would offer benefits to both the State and the lessee. The recommendations of the committee in general give the State more flexibility to respond to client needs. Both client and State will benefit greatly if the committee's recommendations are carried out. The mission of the committee has been accomplished with admirable success in this regard.

Selected areas were covered, specifically those of sales and leasing. The committee states that this report is not meant, by any means, to be all-inclusive.

II. THE INDIVIDUALS ON THE COMMITTEE

The individuals who served on the committee volunteered considerable time and effort. Each member was selected on the basis of having specialized knowledge and expertise. The following list of members and their qualifications shows considerable diversity.

Mike Colletta - State Senator.

Hugh Gellert - President of Bear Fritz, Inc., a land development company with interests in Anchorage and the Kenai Peninsula.

Grant Giesler - Vice President of Alaska Mutual Savings Bank (resigned 1/5/77).

Herb Lang - President of Anchorage Sand and Gravel (joined the committee 1/6/77).

Jamie Love - Director of the Alaska Public Interest Research Group (AkPIRG).

David McCabe - Private Appraiser.

William Mack - Chairman of the Alaska Land and Lease Holders Association.

Carl Marrs - Land Manager for Cook Inlet Region, Inc.

John Norman - Attorney specializing in the area of corporate and natural resources law.

Lidia Selkregg - Anchorage Assemblywoman; Professor of Regional Planning at the Arctic Environmental Information and Data Center in Anchorage.

Theodore G. Smith - Former State Representative; present Director of the State Division of Land and Water Management.

III. COMMITTEE WORK PROCESS

The committee worked in a series of sessions, all of which were open to the public. Meetings were held weekly from October 8, 1976 to March 30, 1977 with the exception of 12/17/76 -1/5/77, when the committee recessed for the holidays. Two additional evening work sessions were held, and two evening meetings to hear public comments took place on 12/1/76 and 3/3/77. The meetings were loosely structured to accommodate those attending and to provide time for public comment.

The committee addressed the area of sales in its first sessions and proceeded to the area of leases in the later sessions. There was considerable public input from concerned individuals, and organizations, and many persons with specialized knowledge were invited. A great deal of support was provided by many state agencies, particularly by the State Division of Lands and the Department of Law. Considerable time was spent in information gathering. The Division often was requested to provide information on current procedures. Considerable information on Division activities was compiled. The changes recommended were made cautiously and are well supported by the information gathered. The committee's recommendations were made in the form of motions which were voted on by majority vote at the meetings. Recommendations were made freely as each subject area was explored.

Many meetings, including the two evening public comment sessions, were advertised in two newspapers. Press releases and newspaper articles appeared locally. Mass mailouts provided general information and announced upcoming meetings; lists of meeting dates were available at all sessions. The interested public was encouraged to contact the Division of Lands with any verbal or written questions and comments. Copies of materials used by the committee were available to the public and public comment was specifically taken on the committee's interim recommendations and draft bill to the Governor.

Almost all sessions were tape recorded in their entirety. Written minutes of meetings were time-keyed to the tapes to allow verification. The public is welcome to listen to or make copies of these tapes by contacting the Division of Lands.

IV. FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

The findings of the committee were numerous but can be grouped into major categories:

- 1) State lessees are dissatisfied with the state interpretation of lease contract terms, especially those relating to appraisal. Many lessees testified before the committee as to their grievances.
- 2) The Division's regulations covering sales and leases are often outdated and conflicting with statutes in some cases.
- 3) The State's lease contract form is not in line with commercial contracts and has many ambiguities in it.
- 4) Some state statutes in Title 38.05 are vague and unclear.
- 5) Payment methods for state sales contracts do not match those used in the private sector and may contribute to ballooning land values.

These findings outline the basis for the committee's recommendations which follow.

The recommendations of the committee concern statute, policy, and regulation changes, and can be grouped by topic.

The following five items are of general concern:

1. The committee wishes to note that in the course of public testimony it was apparent that Division of Aviation lessees had significant problems with their current leases. This subject was not within the scope of the committee's deliberations and, therefore, not addressed.
2. To comply with new statutes the committee recommends a major overhaul of Division of Lands regulations. The committee has found many of the regulations now in effect to be outdated and superseded by statutes.

3. The committee recommends that the Legislature apply the provisions found in Title 38 to those in Title 3, Title 19, and Title 35. The rationale would be to make land laws uniform among the Division of Aviation, Department of Highways, and Division of Lands.
4. Looking to the future, when the Division appraisal workload gets even heavier, the committee recommends that all (or all significant) appraisals be done by contract appraisers, with the Division appraisers functioning as review appraisers.
5. The committee stands opposed to Senate Bill 234, since the needs as outlined in this bill are covered by present legislation; the committee finds SB 234 not in the best interests of the State or the land management of the State.

In order to provide predictability in appraisals and reappraisals, for the benefit of the State and the public, the committee recommends the following:

1. At present many lessees are suffering hardship due to rent increases of several hundred percent. To provide for this relief and as a curative for such future increases the statutory provisions found in section nine of the attached bill are recommended. Provision for optional conversion of present leases to ones that will place a ceiling of 100% on rental increases every five years will largely prevent future hardship cases and resolve satisfactorily the present cases. With a rent ceiling, lease rental increases will be more predictable resulting in more financial stability for the lessee. (The Alaska Industrial Subdivision hearing panel recommends insuring predictability by placing some control over the size of the rental increase through utilization of a ceiling on the size of the increase in rental every five years.)

Sections 8 and 9 of the attached bill will accomplish the above recommendations.

2. The committee recommends that land offered over the counter be reviewed at 90 to 120 day intervals to determine if an increase in value has occurred. This review is desired so that parcels are not undervalued by progressive changes in the market.

Section 10 of the attached bill would accomplish this.

3. Since public notice is covered in AS 38.05.345 the change to "appraisal" for AS 38.05.350 is warranted by its present content. The committee recommends that land may be appraised 120 days in advance of a sale or lease. The change from 90 to 120 days would be desirable in that minimum bid information could be given to the public well in advance of the actual sale or lease auction. In addition 11 AAC 54.140 should be repealed.

Section 10 of the attached bill will accomplish this.

4. In order to provide a workable solution to the problems of confidentiality of appraisal data, the committee recommends that the Director of the Division of Lands refrain from including confidential information in any appraisal prepared for the Division of Lands use.
5. The committee believes that the word "primarily" may imply special consideration to some lessees. In order to treat all lessees fairly and equitably the committee recommends that the word "primarily" be stricken. Deleting "primarily" would clarify the basis for reappraisal. (This was also recommended by the Alaska Industrial Subdivision hearing panel.)

Section 8 of the attached bill will accomplish this.

To improve accounting policies and administrative procedures, and to protect the State, the purchaser and the lessee, the following are recommended:

1. The committee recommends that the Division of Lands have the option of requiring all sales contracts over \$400.00 per year to be paid in quarterly installments instead of annual installments. It is the committee's belief that this would ease the financial strain on the buyer and yet not add significantly to the State's administrative costs. To provide quarterly payments would require a change in AS 38.05.065 with the present annual payments deleted and the quarterly payment provision adopted in its place.

Section 3 of the attached bill would accomplish this.

2. The committee recommends that a \$10.00 fee charge to cover administrative costs be given to those who make sale or lease payments with checks that are returned. It is a standard business practice to provide for such charges and is recommended to protect the State's interests.

3. The committee recommends instituting default charges for late sale or lease payments. At present, there exists no penalty and many payments are late. The form of penalty recommended is notification charges to all delinquent payments and penalty charges to payments delinquent more than 30 days. The notification charge would be \$5.00 for the first notice, \$20.00 for the second notice and a penalty charge of 6 percent of the payment.

It is suggested that the fee charges be adopted as a regulation under authority of AS 38.05.035(4)(5) as follows:

11 AAC 54.365. Delinquent Payments.

In the event of a delinquent payment, the following charges will apply:

1. A \$10.00 penalty for payment with a check that is returned.
 2. A \$5.00 penalty for notification of payments over thirty-five days late.
 3. A \$20.00 penalty for a second notification of payments more than fifty days late.
 4. A penalty of 6 percent of the rental or sale payment for payments delinquent by more than thirty days.
4. The committee recommends adding the following to the end of 11 AAC 54.190: Upon execution of the contract of sale the director shall cause the original copy of the contract to be recorded in the recording district wherein the property is located.
 5. The committee recommends that 11 AAC 58.490 have a section .495 added: Upon execution of the lease the director shall cause the original copy of the lease to be recorded in the recording district wherein the property is located.
 6. The committee recommends adding in 11 AAC 58.830 Recordation of Assignments, Modifications, Changes in Rental or Cancellations: Upon any assignment, modification, change in rental or cancellation, the director shall cause to be recorded an original document which recites the changes made in the recording district in which the property is located.

7. The committee recommends that somewhere in 11 AAC 58 a section be added: Fees for Recordation. The Division of Lands shall absorb any expense of recording all existing contracts of sale, leases, assignments, modifications, changes in rent; the director shall collect the necessary fee for recording any contract of sale, lease, or change of application hereunto from the contract purchaser or lessee at the time of execution.
8. The committee recommends that the Attorney General draft for introduction to the next session of the Legislature a statute which will require all state agencies dealing in lands to record any such transaction (including any transaction dealing with plats and subdivisions) and further stating that failure to so record does not impose any liability on the State.

In order to achieve more flexibility and simplicity in handling land disposal transactions, the following are recommended:

1. The committee recommends that the State charge a market rate of interest in its sales contracts. The interest rate, at present 6%, is below market levels and may have contributed to inflated prices at state land sales. By setting interest rates at market levels, the State would help prevent inflated land prices and at the same time return more income to the State. To provide for a market rate of interest in sales contracts, no change in AS 38.05.065 would be required. The addition of a statement of market rate in this statute would be desirable, however.

Section 3 of the attached bill would accomplish this.

2. The committee recommends that the State adopt a system of level payments in place of declining payments in its sale contracts. The system of level payments is in common use in the business world, and the payment figures are easily set forth in a contract. The disadvantage of the present method is that interest must be recalculated every year and the payments decrease each year. From both the State's and the buyers' viewpoints, the level payment method would be preferred. The State would receive slightly more in interest payments over the contract terms and the buyer would not have to make as high initial payments. To provide level payments would require a change in AS 38.05.065 with the present system deleted and the level payment system adopted in its place.

Sections 2 and 3 of the attached bill would accomplish this.

3. The committee recommends that in Title 38.05 the term "fair market value" be used in place of "fair appraised market value" and "market value." The meaning is felt to be the same in all cases. The committee would like to see one standard term used to avoid confusion and misunderstanding.

Sections 4, 5, 7, and 13 of the attached bill would accomplish this.

4. The current procedures for informing the public of state lands transactions are covered in AS 38.05.305 and AS 38.05.345. The two procedures do not mesh in a clear manner. The committee recommends that the procedures be clarified in a manner that will be flexible enough to inform the public fully and yet not require multiple advertising for minor negotiated transactions.

Section 11 of the attached bill will accomplish this.

5. The committee recommends that the Director be given the authority to set the payment period from one to twenty years. This type of flexibility would allow the State and buyers greater market possibilities. To provide for this would require that the installment clause in AS 38.05.065 be deleted and replaced by the one to twenty year provision.

Section 3 of the attached bill would accomplish this.

6. The committee recommends that the State be given more flexibility to resolve contract of sale violations. This is necessary to prevent foreclosures as the only remedy for minor contract violations.

Section 3 of the attached bill would accomplish this.

To institute improvements in the leasing system, the following are recommended:

1. To implement the new lease provisions recommended by this committee new lease forms for various types of leases will be required. It is the committee's recommendation that the Division draft new lease forms to comply with the statutes adopted, and that the new forms be reviewed by this committee.

The recommended lease form and attachments in Appendix C accomplish this.

2. The committee recommends that all state leases to other public agencies be at the normal fair market value rate of payment.

This reflects a regulation change.

3. The committee recommends that state government agencies get out of residential leasing.

This reflects a policy change.

4. To provide the lessee insurance against a land boom or unexpected increase the committee recommends that rental increases at the five year reappraisal periods not exceed 100 percent of the prior existing annual rental rate. This action would increase the predictability of the lessee's payments. The stability thus created would add significant borrowing power for the lessee to finance improvements on the leased ground.

Section 8 of the attached bill would accomplish this.

5. The duration of a lease and the economic life of substantial improvements, such as stores or factories, may not coincide. In order to see that state leased land is used in a rational, economically productive manner the committee recommends that lessees of long-term leases be given a renewal option for up to fifteen years. This type of option would grant the lessee more flexibility in maximizing his investment returns, especially during the final years of his lease. It would also increase the lessee's planning possibilities for use of the leased ground. This action would also soften the impact of termination of the lease. Specifically, this would permit a lessee to make substantial repairs to a building when the remaining term of the lease would not otherwise justify it.

Section C of the attached bill would accomplish this.

6. The committee agrees that a lease should be converted at its present classification, and the leaseholder should then have the option to change classification subject to Division of Lands approval.

This is made possible under the attached lease document so that a conversion (assuming passage of HB 383) to a new lease form would permit the leaseholder to change classification at his option.

7. The committee recommends that a level term for recreational leases not be provided.
8. The Alaska Industrial Subdivision hearing panel recommends that in accord with the provisions of the lease, lessees should be encouraged to record expenses incurred in site preparation so that the "original condition" can be more adequately ascertained.

The Ad Hoc committee concurs. This recommendation is handled in the attached lease document.

9. The Alaska Industrial Subdivision hearing panel recommends that lease language should be clarified to remove any possible inconsistencies with 11 AAC 58.520 (Adjustment of Rental).

The Ad Hoc committee concurs.

10. The Alaska Industrial Subdivision hearing panel recommends eliminating the floating easement. The State could exercise the right of eminent domain to condemn. The condemnation would probably result in greater compensation for damages to the lessee, especially in view of the Supreme Court decision in State v. Hammer, 550 P.2d 830, thus the lease would be more attractive to the leasing market. Additionally, the language in the current lease is ambiguous as to damages compensable. This ambiguity only encourages litigation.

The Ad Hoc committee concurs. This has been accomplished in the attached lease form.

11. The Alaska Industrial Subdivision hearing panel states that, if its recommendations are adopted, the State would be assured a competitive position in the lease market. The recommendations would encourage development of the leaseholds consistent with the intent of the leasing regulations and would be equitable to the lessee. The hearing panel also believes the State should be able to obtain a good return on its land. Accordingly, the rental rate should be changed to reflect the removal of the undesirable aspects of the state lease.

The Ad hoc committee concurs. Continuing to include rate as an appraisal element will accomplish this objective.

This change is found in the attached lease form.

12. In order to set a fixed rental rate on a lease, the committee recommends an addition to A.S.38.05.085:

amend to add the following sentence after ". . . to protect the interests of the state. The lease rental rate shall remain fixed for the term of the lease and any permitted extensions thereof, unless the leased premises or a portion thereof is reclassified pursuant to provisions of this chapter. A violation of any provision of this chapter"

To provide a vehicle for arbitrating protests and appeals involving land transactions, the following is recommended:

1. The Division of Lands has had many protests from private parties over the past few years leading the committee to believe that a board of appeals is highly desirable and needed at this time. At present there exists no arbitration board or board of appeals to handle appeals allowed by Division of Lands regulations. The creation of a board of appeals would effect a responsive mechanism for solving most problem cases arising from Division of Lands transactions that affect private parties. The board of appeals would be faster and less costly to private parties than legal recourse, which would still be available. The board is structured to maintain adequate expertise while attempting to eliminate bias in favor of the Division of Lands. This binding appeals board would substitute for the Commissioner in the present appeal process. (The Alaska Industrial Subdivision hearing panel also recommends such an appeal process.)

Section 14 of the attached bill would accomplish this.

The committee recommends the following to improve trust land management:

1. The committee believes that state trust lands (school, mental health, and university) are now and have been managed at low intensity. These lands may be returning only a fraction of their potential value that could be

realized by a small, full-time management staff. The Division manages these lands at no charge to the various trust funds and receives no reimbursement for its services. Therefore, it has traditionally placed low priority on management of these lands. This committee recommends that the State Legislature authorize each trust board the authority to freely contract with any agency or private firm for the management of its lands for revenue production in accordance with the State's land act.

Section 1 of the attached bill would accomplish this.

2. In order to provide a uniform 55-year limit for all long-term leases the committee recommends deletion of the 99-year provision found in A.S.38.05.070(c) for school lands.

Section 6 of the attached bill would accomplish this.

V. APPENDIX A

LIST OF PUBLIC GIVING COMMENTS AT AD HOC MEETINGS

GRAHAM, Joe

AKERS, Merle (Anchorage International Airport Pilots' Association)

FORD, R. G. (Anchorage Camper Center--Alaska Industrial Subdivision)

DAVIS, Ken (Alaska Industrial Subdivision--school land lessee)

RICHARDSON, Phil (Talkeetna lessee)

BAER, Paul (International Airport Road--lessee/attorney)

NORENE, Larry (appraiser/broker)

SIMMONS, Errol (appraiser)

CUTLER, Dale (Chairman, Anchorage International Airport Pilots' Association)

BROWN, Leon (A&W Drive-In, Brown's Electrical--Alaska Industrial Subdivision)

FERRARA, Fred (appraiser, retained by Alaska Industrial Subdivision)

BEAMER, Mr.

HOGAN, L. L.

CHRISTOPHER, Jim (Alaska Industrial Subdivision)

WEEKS, Lloyd E.

LEDBETTER, Charles (recreational lease, Rocky Lake, Matanuska Valley)

GRAY, Brian Mark

MacNUTT, Lowell (Alaska Industrial Subdivision)

DAVIS, Ken (Alaska Industrial Subdivision)

PENNEY, Bob (Penland Subdivision)

HIGE, Andrew (attorney)

BIELAWSKI, Joe (Alaska Industrial Subdivision)

MALONEY, Dennis

WILHOUR, Joe (Alaska Industrial Subdivision)

TROEH, Paul

VANDERMOLLEN, John (HUD/FHA--Anchorage Insuring Office)

MEEKINS, Russ (Alaska Land & Leaseholders Association)

HURLEY, Katherine (State Board of Education)

HEINE, Darwin (School Trust Lands-Fairbanks)

KERNS, Dick (Department of Highways)

GEORGE, Al (University of Alaska--Fairbanks)

DENHAM, Bob (Pastor, 1st Church of the Nazarene)

FLAVIN, Frank (State Ombudsman)

RIGSBEE, Alberta

ROETMAN, Emmett

BAILY, Douglas (Attorney for Alaska Industrial Subdivision)

MORRIS, Lloyd

IN THE

BY RULES COMMITTEE BY REQUEST
OF THE GOVERNOR

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to state lands and providing for
an effective date."

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

* Section 1. AS 38.05.030 is amended by adding a new subsection to read:

Section 38.05.030 (F). Notwithstanding the provisions of (a) and (e)
above and 38.05.035 (a)(13), the trustees of state trust lands may manage or
contract with any agency, public or private, for the management of trust
lands pursuant to the provisions of this chapter. Costs of such management
shall be borne by the respective trusts.

* Section 2. AS 38.05.055 is amended to read:

Section 38.05.055. SALE PROCEDURES. Except as provided in Section
315(d) of this chapter, the sale shall be made at public auction to the
highest qualified bidder as determined by the director. An aggrieved bidder
may appeal to the commissioner within five days after the sale for a review
of the director's determination. The sale shall be conducted by the director
or his representative, and at the time of sale the successful bidder shall
deposit an amount determined by the director but not less than 5% (EQUAL TO
ONE-TENTH) of the purchase price. The director or his representative shall
immediately issue a receipt containing a description of the land or property
purchased, the price bid, and the terms of sale, which receipt shall be
acknowledged in writing by the bidder. A contract of sale on a form approved
by the attorney general shall be signed by the purchaser and, after approval of
the commissioner, the contract shall also be signed by the director on
behalf of the state.

* Section 3. AS 38.05.065 is amended to read:

Section 38.05.065. TERMS OF CONTRACT OF SALE. The contract of sale
shall require the remainder of the purchase price to be paid over a period

of not more than 20 years, which shall be set for each sale by the director.

Installment payments plus interest will be set on the level payment basis over the payment period. The interest rate charged on installment payments shall be the prevailing rate on similar land transactions at the time the contract is signed, as determined by the director, but in no case shall it be below 5% per year or above the current usury rate as set by AS 45.45.010(b) and (d).

(IN ANNUAL INSTALLMENTS OF NOT LESS THAN 10 PER CENT OF THE PURCHASE PRICE, WITH INTEREST AT THE RATE OF NOT LESS THAN FIVE PER CENT A YEAR.) The director, with the consent of the commissioner, may also impose conditions, limitations, and terms which he considers necessary and proper to protect the interest of the state. Violations of any provision of this chapter or the terms of the contract of sale subject the purchaser to appropriate administrative and legal action, including but not limited to specific performance, foreclosure, ejectment, or other legal remedies in accordance with applicable state law. (LEGAL ACTION, INCLUDING A FORECLOSURE ACTION IN ACCORDANCE WITH APPLICABLE STATE LAW.)

* Section 4. AS 38.05.067(b) is amended to read:

Section 38.05.067(b). The director shall not sell the lands under this section at less than their fair (APPRAISED) market value. The director shall make regulations necessary to ensure that lands sold under this section are for bona fide residential use and not for speculation.

* Section 5. AS 38.05.068(a) is amended to read:

Section 38.05.068(a). FOREST SERVICE PERMITTEES' SALES PREFERENCE. Before offering to the public any land which is subject to a valid existing United States Forest Service permit in effect in a state-selected area at the time the area was patented to the state, or which is subject to a lease issued under Section 87 of this chapter, the director shall offer the land for sale to the permittee or his successor in title, if he can be found, at not less than its fair (APPRAISED) market value before offering to the general public.

* Section 6. AS 38.05.070(c) is amended to read:

Section 38.05.070(c). A lease may be issued for a period of up to 55 years, if it appears to be in the best interest of the state and if the commissioner approves. A lease for a period in excess of 25 years shall grant the lessee an option entitling him to extend the term of the lease for up to 3 consecutive five year periods in addition to the original term. If the Commissioner determines that the land or a part of it which is the subject of a grazing

lease is not being used for the purpose issued, the lease may be declared void. (HOWEVER, A NONRENEWABLE LEASE FOR SCHOOL LANDS MAY BE ISSUED FOR A PERIOD NOT TO EXCEED 99 YEARS.)

* Section 7. AS 38.05.087(a) is amended to read:

Section 38.05.087(a). FOREST SERVICE PERMITTEES' LEASING PREFERENCE. Before offering to the public any land for lease which is subject to a valid existing United States Forest Service permit in effect in a state-selected area at the time the area was patented to the state, the director shall offer the land for leasing to the permittee at not less than its fair (APPRAISED) market value before offering it to the general public.

* Section 8. AS 38.05.105 is amended to read:

Section 38.05.105. Each lease shall stipulate that the annual rental payment is subject to adjustment at five year intervals and shall be based (PRIMARILY) on a reappraised annual rental value. Any increase due to reappraisal may not exceed 100% of the annual rental for the preceding 5 year period. However, if the director of the division of lands determines that residential development is the best use for the land, the reappraisal period may be lengthened or the readjustment waived in accordance with regulations adopted by the commissioner. Before a waiver of rental readjustment is issued, the land shall have a current reappraisal. A waiver is valid only if residential development actually occurs, and only if it is necessary for obtaining primary long-term financing. The regulations adopted under this section shall ensure that the state receives a fair return from the land.

* Section 9. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.106. CONVERSION OF LEASES. (a) Any person holding a valid lease as lessee of lands from the State under provisions of AS 38.05.070 - .105, or as an approved assignee of such lessee under the terms of such lease, may, at his option, convert his lease so as to obtain certain benefits, enumerated in subparagraph (b) below, which were not available to him at the date his lease was originally entered, if the lessee at the time of conversion makes all payments due under the conversion rate and is not in violation of any other lease provision.

(b) Those lease benefits which shall be made available to a lessee qualifying under subsection (a) of this section shall be all of those lease provisions authorized or made applicable by this act to new leases entered into by the State after the effective date of such statutes.

(c) The effective annual rental value at conversion shall be based on the most recent reappraisal provided that such reappraisal was within 2 years of the effective date of this act. In all other cases, the conversion shall be based on the next reappraisal.

(d) Any conversion as to trust lands shall be effective only if approved by the appropriate board of trustees.

(e) Applications for conversion must be made within 3 years of the effective date of this act.

* Section 10. AS 38.05.310 is amended to read:

Section 38.05.310 (NOTICE AND) APPRAISAL. (a) No land may be sold or leased, or a renewal lease issued (WITHOUT PUBLIC NOTICE) except in the case of an oil or gas or mineral lease, unless it has been appraised within 120 (90) days before the date of (FIXED FOR THE) sale or lease. (WHEN LAND IS OFFERED AT PUBLIC SALE BUT IS NOT SOLD AND IS AVAILABLE)For over the counter sale (AT THE PRIVATE SALE, NO) an (RE)appraisal is required unless the director finds (CONSIDERS) that a change in value of the lands has not (MAY HAVE) occurred. A grazing lease may be granted to a lessee of federal grazing lands without prior appraisal, if his federal lease was cancelled to allow the state to select the lands under lease. No land may be sold or leased for less than fair (THE APPROVED, APPRAISED) market value, except as provided in .315 and .320 of this chapter and .75 - .85 of this chapter. No land or interest in land may be sold, leased, or otherwise disposed of without public notice.

(b) When land is offered at public sale but is not sold, it may be available for sale over the counter. The director shall review the list

of lands available on a quarterly basis and shall certify that there has been no change in value since the last reappraisal. If an increase in value occurs in any parcel, the director shall withdraw that parcel from sale over the counter.

* Section 11. AS 38.05.345(a) is amended to read:

Section 38.05.345(a). Public notice of an auction sale (LEASE OR OTHER DISPOSAL) of land or interest in it shall be substantially as follows.

* Section 12. AS 38.05.345(e) is amended by adding a new subparagraph to read:

Section 38.05.345(e) Public notice of an action other than as specified in paragraph (a) above shall conform to the requirements of AS 38.05.305 and this paragraph. Such notice shall, when given pursuant to AS 38.05.305(c), be published at least once in a newspaper of general circulation in the vicinity in which the land affected by the proposed activities is located.

* Section 13. AS 38.05.365 is amended by adding a new subparagraph to read:

Section 38.05.365. "Market Value" or "Fair Market Value" means the highest prices, estimated in terms of money, which the property would bring if exposed for a sale for a reasonable time in the open market, with a seller, willing but not forced to sell, and a buyer, willing but not forced to buy, both being fully informed of all the purposes for which the property is best adapted or could be used.

* Section 14. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.380. STATE BOARD OF LAND APPEALS. (a) The State Board of Land Appeals shall consist of five members, one of whom shall be the Commissioner of Natural Resources or his designated representative. The other members of the board shall be appointed by the governor from the general public, with due regard for the desirability of prior legal, natural resource or real estate training and experience as criteria for selection of public members. All board members are subject to confirmation by a majority of the members of the legislature in joint session.

(b) The director of the division of lands shall provide administrative support for the board.

(c) The governor shall appoint the public members of the board for terms of three years each, except that the initial terms of one of the members first appointed under this chapter shall be for one year and one member for two years. The public members are entitled to compensation

in the amount of \$50.00 per day for each day or portion of a day spent in actual meeting or on authorized official business incident to their duties, and to all other transportation and per diem expenses as provided by law.

(d) Jurisdiction of the board shall extend to all matters arising under the Alaska Land Act (AS 38.05) and the Water Act (AS 46.15) from which an appeal may be taken under statute or regulation to the commissioner from a decision of the director, division of lands. The board in all appeals filed after the effective date of this chapter, shall have the appellate authority formally vested in the commissioner by provisions of the Alaska Land Act. An appeal from a decision of the board, if taken, shall be to the Superior Court.

(e) Three members of the board shall constitute a quorum. A majority of a quorum shall be able to render a decision. The board shall adopt regulations governing its procedures, and may adopt other regulations which may be necessary or convenient in carrying out the purposes of this chapter.

V. APPENDIX C

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AGO 936073

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS
323 East Fourth Avenue
Anchorage, Alaska 99501

ADL NO. _____

LEASE AGREEMENT

THIS Lease agreement made and entered into this _____ day of _____, 19____, by and between the State of Alaska, through the Director of the Division of Lands, with the consent and approval of the Commissioner of the Department of Natural Resources, acting for and on its behalf under and pursuant to AS 38.05, as amended, and the regulations promulgated thereunder, as amended or hereafter amended, hereinafter referred to as the LESSOR; and _____ hereinafter referred to as the LESSEE:

WHEREAS, the Lessor has caused the lands herein demised to be appraised and such appraisal was made and approved on or after _____, 19____; and

WHEREAS, the Lessor has caused a notice of intent to lease the lands herein demised to be published as required by law or caused notices of intent to lease to be posted as required by law; and

WHEREAS, an auction of the herein demised property was held at the time and place designated by notice and said sale was approved by the Director of the Division of Lands, Department of Natural Resources, State of Alaska:

NOW THEREFOR, the Lessor has agreed to let and does hereby let and demise to the Lessee, and the Lessee has agreed to take and does hereby take from the Lessor the surface estate of all that lot, piece, or parcel of land more particularly bounded and described, as follows:

located in the _____ Recording District, State of Alaska.

TO HAVE AND TO HOLD the said demised premises for a term of _____ () years commencing on the _____ day of _____, 19____, and ending at 12 o'clock midnight on the _____ day of _____, _____, a period of fifty-five years unless sooner terminated as hereinafter provided.

The Lessee shall be granted the option to extend the term of his lease for no more than three consecutive five-year periods beyond the original term of the lease, provided that lessee notifies Lessor of his intention to exercise one or more such options no later than 6 months prior to expiration of the original lease term or the first or second extension terms, as applicable.

The Lessee shall pay to the Lessor rental as follows: Equal _____ payments, in advance, on or before the _____ day of _____ of every year during

said term at the rate of _____ Dollars (\$ _____) per _____; such payments to be subject to adjustment as hereinafter required from the effective date hereof, as provided herein.

The annual rental as hereinafter provided for shall not during any rental period increase more than one hundred percent of the immediately preceding annual rental.

It is agreed that each of the covenants, terms and agreements herein contained shall be binding upon the parties and upon their respective successors and assigns.

1. Appurtenances, and Encumbrances-- Lessor leases and grants to Lessee all easements, parking and loading rights, rights of ingress and egress, fixtures and appurtenances now or hereafter belonging or pertaining to said premises. The described premises are leased, subject to patent restrictions, easements, rights-of-way, if any, zoning and building restrictions and statutes and governmental regulations now in effect or hereafter adopted by any governmental authority.

2. Payment of Taxes and Assessments-- Lessee agrees to pay to the public authorities charged with collection thereof, promptly as the same may become due and payable, all taxes, permit, inspection and license fees and other public charges, whether of a like or different nature, except for general and special assessments lawfully levied upon the leasehold estate and any buildings, structures, fixtures, improvements or leasehold interest now or hereafter located thereon, or arising in respect of the occupancy, use or possession of the leased Premises, and which are charged against and are, or may become, a lien during the term of this lease; and Lessee agrees to exhibit to Lessor, on demand receipts evidencing payment of all taxes, fees and other similar public charges so payable by Lessee. Lessee shall also pay all charges of water, sewer, gas, electricity, power or other public utility services rendered on or to the Premises during the term of this lease as such charges become due.

3. Documentation of Improvements-- Lessee must within 90 days of completion of any site improvements, including but not limited to clearing, leveling, excavation, and backfill, and exclusive of any structures, file with the lessor adequate and reasonable documentation of such improvements including any applicable costs and quantities. Such documentation is intended to aid in future determinations of the original condition of the Premises.

4. Notification and Late Payment Charge-- In the event lessee becomes 30 days delinquent in payments due, a late payment charge of 6% of such amount due shall be levied against the lease. Additionally, a charge for notification for payments 30 days late shall be made at the rate of \$5.00 for the first notice and \$20.00 for the second notice.

5. Permitted Uses-- (a) The Lessee shall use the leased Premises for uses and purposes consistent with those cited in Attachment 1, and in conformance with applicable local zoning ordinances. At any time Lessee may request a change in permitted uses, provided that Lessee's existing or proposed use of the Premises is consistent with existing zoning. If the Lessor concurs with such change of permitted use, then this lease shall terminate, and a new lease, upon a form and containing terms, appraisal and rental rate applicable to the changed classification; shall be executed for the balance of the unexpired lease term, or renewal term if applicable, then remaining.

b. Lessee may request that part of the leased Premises be severed

From the Premises for purposes of changing of that part for a use or uses not permitted under the then existing permitted uses of the Premises. If the Lessor concurs, then this lease shall terminate as to the part so severed, and a new lease, upon a form and containing terms, appraisal and rental rate applicable to the changed permitted uses; shall be executed for the balance of the unexpired lease term, or renewal term if applicable, then remaining. The annual rentals applicable to the original leased Premises shall be adjusted to reflect the effect of severance of the part permitted by this paragraph for the balance of the original lease term or the renewal term, if applicable. If severance of a portion of the Premises is permitted, Lessee shall comply with all state and local laws and ordinances regarding the subdivision of real property, and shall bear the expenses and costs attributable to survey, recording and other compliance with said laws and ordinances.

6. Compliance with Laws' Ordinance and Regulations-- Lessee shall comply with all applicable laws, ordinances and regulations of duly constituted public authorities now or hereafter in existence which in any manner affect the leased Premises or the sidewalks, alleys, streets, and ways adjacent thereto, or any buildings, structures, fixtures or improvements or the use thereof. Lessee further agrees that it will not permit any unlawful occupation, business or trade to be conducted on the Premises, or any use to be made thereof contrary to any law, ordinance or regulation applicable thereto.

The lessee, at its own cost and expense, shall keep the leased Premises and all improvements which at any time during the term of this lease may be situated thereon, in good maintenance, condition and repair during the entire term of this lease, and hereby expressly waives any right to make repairs to the Premises at the expense of Lessor which may be allowed by any statute or law in effect at the time of the execution of this lease or any amendment thereof, or by any other statute or law which may be hereafter passed during the term of this lease. The Lessee's rights under this Lease may be terminated by the Director, in whole or in part, if the leased Premises are used for a purpose unlawful under Federal or State law or regulation, or local Government ordinance as applicable.

7. Lessee's Rights of Occupancy and Use-- Lessee, when not in default of performance of any of its obligations hereunder, shall have the following rights, during the term of this Lease, from time to time and in such manner, and to such extent, as Lessee may in its sole judgment deem advisable, except where any of said rights is conditioned upon prior approval of Lessor: (a) The right to demolish, remove or otherwise dispose of any improvements presently or subsequently situated upon the leased Premises; (b) The right to erect, place, or install upon the leased Premises buildings, structures, and improvements as from time to time it shall deem advisable; (c) The right to make such alterations, additions and repairs to the leased Premises as it may desire.

8. Disposition of Improvements Upon Termination-- (a) All buildings, structures and permanent improvements, including any signs which are installed, placed or attached in or about the leased Premises by Lessee, shall remain the property of Lessee at the expiration or termination of this lease, or of any renewal term thereof. The lessee shall within 60 days after termination or expiration of the lease remove all improvements located on the leased Premises, provided that such removal will not cause injury or damage to the leased Premises; and further provided that the Lessor may extend the time for removing such improvements in a case where hardship is demonstrated. Following removal Lessee shall leave Premises in a safe and natural condition. The retiring Lessee may, with the consent of the Lessor,

sell his improvements to the succeeding lessee.

(b) If any improvements and/or chattels having an appraised value in excess of \$10,000.00, as determined by the Lessor, are not removed within the time allowed, such improvements and/or chattels shall, upon due notice to the Lessee, be sold at public sale under the direction of the Lessor. The proceeds of sale shall inure to the Lessee who placed such improvements and/or chattels on the lands after payment to the Lessor of all rents due and owing and expenses incurred in holding such sale. In case there are no other bidders at any such sale, the Lessor is authorized to bid on such improvements and/or chattels. The Lessor shall acquire all rights, both legal and equitable, that any other purchaser could acquire by reason of said sale and purchase.

(c) If any improvements and/or chattels having an appraised value of \$10,000.00 or less, as determined by the Lessor, are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in, the Lessor.

9. Freedom From Liens-- Lessee will not permit any mechanics', laborers', or materialmens' liens to stand against the leased Premises or improvements for any labor or materials furnished to Lessee, or claimed to have been furnished to Lessee or to Lessee's agents, contractors, or sublessees, in connection with work of any character performed on said Premises or improvements by or at the direction or sufferance of Lessee; provided, however, that Lessee shall have the right to contest the validity or amount of any such lien or claimed lien. In the event of such contest, Lessee shall give to Lessor such reasonable security as may be demanded by Lessor to insure payment thereof and to prevent any purported sale, foreclosure or forfeiture of the premises or improvements by reason of such non-payment. Such security need not exceed one and one-half times the amount of such lien or such claim of lien. Lessee shall record such bond as contemplated by Section 34.35.072, Alaska Statutes upon Lessor's demand. Lessee shall immediately pay any judgment rendered on any proven claim of lien, together with all proper costs and charges, and shall have such lien released or judgment satisfied at Lessee's own expense. The State may file such notices of non-responsibility as it may deem necessary, pursuant to A.S. 34.35.065.

10. Lawful Use of Premises-- The Lessee may use and occupy the lease' Premises for any lawful purpose provided such purpose is allowed under Attachment 1 of this lease.

11. Indemnity to Lessor-- Lessee will indemnify and hold Lessor harmless from and against all claims and demands for loss or damage, including property damage, personal injury or wrongful death, arising out of or in connection with the use or occupancy of the Premises by Lessee or any other person under Lessee, and from any accident or fire on the Premises and from any nuisance made or suffered thereon, and from any failure by Lessee to keep the Premises in a safe condition, and Lessee will reimburse Lessor for all its costs and expenses, including reasonable attorneys' fees, incurred in the defense of any such claims; and Lessee will hold all goods, materials, furniture, fixtures equipment, machinery and other property whatsoever on the Premises at the sole risk of Lessee, and will save Lessor harmless from any claim of loss or damage thereto by any cause whatsoever. If all or part of the improvements placed by Lessee on the demised premises are destroyed by fire, earthquake or other cause, Lessee shall remove the debris and clean up the affected area within 60 days of the occurrence of such destruction, and may surrender to Lessor this lease, together with any interest of Lessee and of any mortgagee in

the remaining insurance proceeds and Lessee may thereby be relieved of any further obligation hereunder.

12. Default-- If Lessee at any time during the term or renewal term of this lease (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings, in law, in equity or before any administrative tribunal, which has or might have the effect of preventing Lessee from complying with the terms of this lease) (a) shall fail to make payment of any installment of rent or of any other sum herein specified to be paid by Lessee, or (b) shall fail to observe or perform any of Lessee's other covenants, agreements or obligations hereunder, and if any such default shall not be cured as to (a) within ten days after Lessor shall have given Lessee written notice of such failure to make payment, or as to (b) within thirty (30) days after Lessor shall have given to Lessee written notice specifying such default or defaults, Lessee shall not have commenced diligently to cure such default; or if Lessee has filed a voluntary petition or has become subject to an involuntary petition under any provision of the Bankruptcy Act, 11 U.S.C. 701 et. seq; or if Lessee finally and without further possibility of appeal or review is adjudicated a bankrupt or insolvent; or if Lessee has a receiver or a Trustee appointed for all or substantially all of its business or assets on the ground of Lessee's insolvency; or if Lessee has itself appointed as debtor-in-possession in a proceeding for a reorganization or an arrangement; or if Lessee shall make an assignment for the benefit of its creditors, then in any such event Lessor shall have the right, at its election, then or at any time thereafter, and while such default, defaults or events shall continue, to give Lessee written notice of Lessor's intention to terminate this lease and all of Lessee's rights hereunder, on the date specified in such notice, which date shall not be less than thirty (30) days after the date of giving of such notice; and on the date specified in such notice this lease and all rights granted Lessee hereunder shall terminate as fully as if the lease had then expired by its own terms; and Lessee hereby covenants to peaceably and quietly surrender to Lessor said leased Premises and all structures, buildings improvements and equipment located thereon, subject to paragraph 7 (a) above and to execute and deliver to Lessor such instrument or instruments which may be required by Lessor to properly evidence termination of Lessee's rights and interest hereunder.

In the event of termination of this lease as provided in this paragraph 12, Lessor shall have the right to repossess the leased Premises and such structures, buildings, improvements and equipment, thereon and subject to paragraph 5 above either with process of law or through any form of suit or proceeding, as well as the right to sue for and recover all rents and other sums accrued up to the time of such termination, and damages arising out of any breach on the part of Lessee, including damages for rent for the balance of the lease term not then accrued. Lessor shall also have the right, without taking possession of the premises or terminating this lease, to sue for and recover all rents and other sums, including damages, at any time and from time to time which may accrue hereunder as a result of any default of Lessee.

13. Condemnation-- If the whole or any part of the demised premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, by any public or quasi-public body vested with the power of eminent domain, then when possession shall be taken thereunder of the leased Premises, or any part thereof, the following provisions shall control:

a. Taking of All Premises-- If all of the Premises are taken by condemnation; the term of this lease and all rights of the Lessee hereunder shall immediately terminate, and the rent shall be adjusted as of the time of such termination so that Lessee shall have paid rent only up to the time of such taking. Lessor shall

be entitled to the full condemnation proceeds, except that portion thereof attributable to the value of the buildings or improvements placed on the Premises by Lessee.

b. Taking of Substantial Part of Premises-- If the taking by condemnation reduces the ground area of the leased Premises by at least thirty percent (30%), or materially affects the use being made by the Lessee of the demised premises, Lessee shall have the right, by written notice to Lessor made not later than one hundred eighty (180) days after possession shall be taken, to elect to terminate or to not terminate this lease under the provisions set forth herein. If the election to terminate is made the provisions of (a) of this paragraph relating to the taking of the whole Premises shall govern. If the election not to terminate is made the lease shall continue and Lessor shall be entitled to the full condemnation proceeds except the portion thereof attributable to the value of the buildings or structural improvements placed on the Premises by Lessee; and rent at the existing rate and amount shall be adjusted as of the date of the taking of possession, and the rent for the balance of the term, except as modified from time to time under paragraph 1 of attachment 1 hereof, shall be reduced so that the new rent shall be that part of the former rent (before condemnation) which the unimproved value of the untaken Premises (appraised after the taking) bears to the unimproved value of the entire Premises immediately before the taking. Any dispute, controversy or claim arising out of or relating to the fixing of the new rent shall be settled by arbitration as provided herein.

c. Taking of Insubstantial Part of Premises-- If the taking is of such an insubstantial portion of the ground area that the use being made by Lessee of the leased premises is not materially affected, the provisions of this paragraph regarding Lessee's election not to terminate shall govern.

14. Quiet Enjoyment-- Provided Lessee is not in default hereunder, Lessor covenants that Lessee shall have peaceful and quiet enjoyment of the leased Premises without let or hindrance on the part of Lessor, and Lessor will warrant and defend Lessee in the peaceful and quiet enjoyment of the leased Premises.

15. Notices-- All notices required or permitted under this agreement shall be made by certified or registered mail, postage prepaid, to the parties at the following addresses.

To The Lessor: _____

To The Lessee: _____

16. Rights or Remedies-- Except as may be inconsistent with or contrary to any provision of this lease, no right or remedy herein conferred upon or reserved to Lessor shall be exclusive of any other right or remedy, and each and every right or remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

17. Waiver or Forebearance-- The receipt of rent by the Lessor, with or without knowledge of any breach of the lease by the Lessee, or of any default on the part of the Lessee in the observance or performance of any of the conditions or covenants of this lease, shall not be deemed to be a waiver of any provision of this lease. No failure on the part of the Lessor to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by the Lessor, unless in writing, shall discharge or invalidate such term or covenant; nor shall any forbearance or

written waiver affect the right of the Lessor to enforce any term or covenant in the event of any subsequent breach or default. The receipt by Lessor of rent or any other sum of money or the termination, in any manner, of the lease term or the giving by Lessor of any notice hereunder to effect such termination, shall not reinstate, continue, or extend any term herein leased, or destroy, or in any manner impair the validity of any such notice of termination as may have been given hereunder by the Lessor to the Lessee prior to the receipt of any such sum of money or other consideration, unless the contrary effect shall be expressed in writing and signed by the Lessor. *

18. Inspection-- Lessor shall, at all reasonable times have access to the Premises for the purpose of inspection.

19. Successors in Interest-- This Lease shall be binding upon and inure to the benefit of the respective heirs, successors in interest and assigns of the parties hereto.

20. Assignment or Subletting-- Lessee shall not sublet or assign the leased premises or any part thereof, without the prior written consent of Lessor to such subletting or assignment, which consent shall not be unreasonably withheld, subject to use provisions of this lease. However, Lessee, without prior authorization may assign this lease, or any part thereof, to a duly licensed and authorized lending institution for loan security purposes, provided that this right to assign shall not operate as a subordination of Lessor's rights hereunder, nor a subordination of its fee. Lessor agrees that upon receipt of application for assignment by Lessee, it will consent to or deny a proposed subletting or assignment by Lessee. No assignment or subletting of the Premises or any portion thereof by Lessee shall void Lessee's obligation to pay the rent herein reserved for the full term of this sublease or any extensions thereof. Anything contrary in the foregoing notwithstanding, Lessee shall have the right to sublease all or any portion of the enclosed space in any building which Lessee may construct upon the leased Premises without prior written approval of Lessor.

21. Soil Conditions and Water Drainage-- Lessor makes no warranty and assumes no liability regarding the soil conditions or water drainage upon the leased premises.

22. Mineral Reservation-- The Lessor hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, and fossils of every name, kind or description, and which may be in or upon said lands above-described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials and fossils. All coal, oil, gas and other minerals and all deposits of stone or gravel valuable for extraction or utilization, are excepted from the operation of a surface lease. Specifically, the lessee of the surface rights shall not sell or remove for use elsewhere any timber, stone, gravel, topsoil, or any other material valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used. It also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessee, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling and working mines or wells on these or other lands and taking out and removing

therefrom all such oils, gases, coal, ores, minerals, fissionable materials and fossils; and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes, hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

Provided, however, no rights shall be exercised by the Lessor or its mineral lessees, until provision has been made by the Lessor or its mineral lessees to pay to the Lessee of the land, upon which the rights herein reserved to the Lessor or its mineral lessees, are sought to be exercised, full payment for all damages sustained by said Lessee, by reason of entering upon said land; and provided that if said Lessee for any cause whatever refuses or neglects to settle said damages, the Lessor or its mineral lessees, or any applicant for a mineral lease or contract from the Lessor or its lessees for the purpose of prospecting for valuable minerals, or option contract or lease for mining coal or lease for extracting petroleum or natural gas, shall have the right, after posting a surety bond with the Director issued by a corporation qualified to do business in Alaska and licensed to sell insurance in Alaska, or a bond executed by one or more individual sureties approved by the Director, after due notice and opportunity to be heard, to be sufficient in amount and security to secure the said Lessee full payment for all such damages, to enter upon the land in the exercise of said reserved rights, and shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated, as may be necessary to determine the damages which the surface lessee of such lands may suffer.

23. Mortgage of Leasehold Interest of Tenant-- A leasehold mortgagee, a beneficiary of a deed of trust, or a security assignee shall have and be subrogated to any and all rights of Lessee with respect to the curing of any default hereunder by Lessee. If the holder of any such mortgage, the beneficiary of any such deed of trust, or the security assignee shall give Lessor, before any default shall have occurred in the Lease, a written notice containing the name and post office address of such holder, Lessor shall thereafter give to such holder a copy of each notice of default by Lessee at the same time as any notice of default shall be given by Lessor to Lessee; and Lessor will not thereafter enter into any modification of this Lease without the prior written consent of such mortgagee, beneficiary or security assignee. If by reason of any default of Lessee, either this Lease or any renewal thereof shall be terminated at the election of Lessor prior to the stated expiration thereof, Lessor shall enter into a new Lease with the leasehold mortgagee, the beneficiary of a deed of trust, or the security assignee, for the unexpired portion of the lease term, effective as of the date of such termination, at the rent and on the terms herein contained, subject to the following conditions.

Mortgagees, beneficiary or security assignee shall do the following:

- a. make written request to Lessor for a new Lease within forty (40) days after the date of such termination; and such written request shall

be accompanied by payment to lessor of all sums then due lessor under this lease as if termination had not occurred but with such costs as are permitted under this Lease.

b. pay to Lessor, at the time of the execution and delivery of such new Lease, any and all sums due thereunder, in addition to those which would at the time of the execution and delivery thereof be due under this Lease but for such termination, and in addition thereto, any reasonable expenses, including legal and attorneys' fees to which Lessor shall have been subjected by reason of such default.

c. on or before the execution and delivery of such new Lease, perform all other conditions required to be performed by Lessee, to the extent that Lessee shall have failed to perform such conditions.

24. Arbitration-- Any dispute between the parties arising under this lease or through the performance or non-performance of any term of this lease shall be first subject to resolution by arbitration, under the authority and procedures contained in Alaska Statutes 09.43. Appointment of an arbitrator shall be made by agreement between the parties. If no agreement can be reached, each party shall appoint an arbitrator, who shall by agreement between themselves appoint a third arbitrator. If any State Board of Land Appeals is later created which shall have jurisdiction over disputes which may arise under this lease, such Board shall assume jurisdiction and no requirement for arbitration shall thereafter be imposed during the pendency of such jurisdiction.

25. Integration and Modification-- This document including attachments which by reference are made a part hereof, contains the entire agreement of the parties hereto. All negotiations, statements, representations, warranties, and assurances, whether oral or written, which are in any way related to the subject matter of this lease, and the performance by either party hereto, are merged and integrated into the terms of this document.

This Lease may not be modified nor amended except by a writing signed by both parties hereto, and any purported amendment or modification is without effect until reduced to a writing signed by both parties hereto.

IN WITNESS WHEREOF the State of Alaska, Lessor, acting through the Director of the Division of Lands of the Department of Natural Resources, lawfully authorized thereunto, has caused these presents to be executed at Anchorage, Alaska, in duplicate, and the said Lessee has hereunto set his hand, agreeing to keep, observe and perform the rules and regulations promulgated under AS 38.05, as amended, the terms conditions and provisions herein contained, on the Lessee's part to be kept, observed and performed.

Director, Division of Lands

APPROVED:

Trustee

COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES
STATE OF ALASKA

UNITED STATES OF AMERICA)

LESSEE(S)

State of Alaska)

ss

THIS IS TO CERTIFY that on the _____ day of _____, 19____, before me, the undersigned Notary Public, personally appeared _____ known to me and known by me to be the _____ of the Division of Lands of the Department of Natural Resources, and acknowledged to me that he executed the foregoing lease for an on behalf of said State, freely and voluntarily and for the use and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Notary Public in and for the State of Alaska
My commission expires _____

UNITED STATES OF AMERICA)

State of Alaska)

ss

THIS IS TO CERTIFY that on this _____ day of _____, 19____, before me, the undersigned, a Notary Public in and for Alaska duly commissioned and sworn, personally appeared _____ to me personally known to be one of the persons described in and who executed the within instrument and the said _____ acknowledged to me that he signed and executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year of this certificate first above written.

Notary Public in and for the State of Alaska
My commission expires _____

APPROVED AS TO FORM:

ATTORNEY GENERAL

By _____
Deputy Attorney General

ADI. NO. _____

The following clauses are hereby included in and by reference made a part of the attached lease document.

1. Modified Rentals

- (a) Beginning with the lease year and continuing at five-year intervals thereafter, the annual rental shall be modified so as to equal _____ percent of the fair market value of the premises at such appraisal dates, as determined by appraisal as hereinafter specified; provided, however that the premises shall be valued and appraised at the date of the rental modification, as unimproved land as defined herein. For purposes of rental modification, unimproved land shall mean the leased land in its original condition at the commencement date of the Lease, disregarding all building or structural improvements above or below grade, excavation or backfill, and disregarding all landscaping, paving, leases or encumbrances placed on the property by the Lessee. The foregoing notwithstanding, any improvements above or below grade placed on or made available to the property by the Lessor or at the expense of the

Lessor shall not be disregarded. The unimproved land, as above defined, shall be appraised at its highest and best use regardless of its actual use, but subject to existing use restrictions and zoning.

2. Special Assessments--In the event any general or special assessment is levied on the Premises for a part of the cost of any public work or improvement assessed according to benefit found by levying authority to accrue therefrom to the demised Premises, Lessor shall pay for the same.

3. Permitted Uses--The lands described herein are intended to permit uses common to industrial development areas. Such uses may include but are not limited to light manufacturing, processing, storage, wholesaling, and distribution operations as well as limited commercial uses.

4. Liability Insurance--Lessee will at its own expense obtain and maintain during the term of this Lease and any renewal term thereof comprehensive general liability insurance with respect to the leased Premises, naming Lessor as additional assured, from an insurance company authorized to do business in Alaska, with minimum

limits of not less than \$200,000 for injury to one person and not less than \$1,000,000 for injury to more than one person in any one accident or occurrence, and insurance in a sum not less than \$200,000 against claims for property damage, or such higher limits as Lessor may from time to time determine, with due regard to then prevailing prudent business practice in the State of Alaska, as reasonably adequate for it's protection, and Lessee will from time to time upon receipt thereof deposit promptly with Lessor upon demand current certificates of such insurance.

ADI No. _____

The following clauses are hereby included in and by reference made a part of the attached lease document.

1. The annual rent in the sum of _____ payable by Lessee each year beginning with the lease year and modified at five-year intervals thereafter as provided for under paragraph 2(a) excepting waivers of rental as provided for in paragraph 2(b). This lease shall continue until the _____ day of _____, _____ a period of fifty-five years, and shall be payable in _____ installments.

2. (a) The annual rental shall be modified so as to equal _____ percent of the fair market value of the premises, at such appraisal dates as determined by appraisal in a manner as hereinafter specified; provided, however, that the premises shall be valued and appraised at the date of the rental modification as unimproved land as defined herein. For the purposes of rental modification, unimproved land shall mean the leased land in its original condition at the commencement date of the lease, disregarding all building or structural improvements above or below grade, excavating or backfill, and disregarding all landscaping, paving, leases

or encumbrances placed on the property by the Lessee. The foregoing notwithstanding, any improvements above or below grade placed on or made available to the property by the Lessor or at the expense of the Lessor shall not be disregarded. The unimproved land, as above defined, shall be appraised at its highest and best use regardless of its actual use, but subject to existing classification, zoning, and lease use restrictions.

- (b) If a waiver of rent adjustments is necessary for obtaining long-term financing of residential development which has occurred or in actuality will occur on the leased premises, then upon approval of Lessee's application for waiver of rent adjustments, the annual rent for the thirty years next succeeding, or for the remainder of the lease term, whichever is less, shall from the date of approval of such waiver be determined by appraisal as hereinbefore provided, upon approval of such appraisal by the Lessor. Lessee shall pay all expenses of such appraisal. Approval or rejection of such appraisal shall be given by the Lessor within two weeks after its submission to the Lessor, which approval shall not be unreasonably withheld. Such appraisal, upon approval, shall be

used to determine the rental under the waiver of rent adjustments if the effective date of the appraisal is not earlier than one year prior to the date of application for the waiver. Upon termination of such waiver, rental shall be adjusted upon the anniversary date of the next ensuing five-year interval from the lease commencement date.

(c) If an appraisal as provided for in paragraph (a) has been performed, and is applicable to the portion for which the waiver is granted such appraisal may be used to determine the rental under said waiver as long as the effective date of the appraisal is not earlier than one year prior to the date of the application for waiver.

(d) Anything to the contrary notwithstanding, upon approval of sublease, the Lessor shall have the right to readjust the rental of all parcels subleased at that time. Such parcels so adjusted and subject to waiver shall be leased at the new rental for the duration of such waiver. Any portion of those lands legally described herein which are not subject to sublease shall be reduced

in rental in proportion to the amount of land subleased at that time. Upon such adjustment the annual rental shall be the cumulative amount of annual rental for each portion and shall be based on the methods and rate stated in paragraph (a) of this clause.

3. Special Assessments--In the event any general or special assessment is levied on the premises for a part of the cost of any public work or improvement assessed according to the benefit found by levying authority to accrue therefrom to the demised premises, Lessee shall pay for the same.

4. Permitted Uses--The lands described herein are intended for residential use.

ADD No. _____

The following clauses are hereby included in and by reference made a part of the attached lease document:

1. Modified Rentals--(a) Beginning with the lease year and continuing at five-year intervals thereafter, the annual rental shall be modified so as to equal _____ percent of the fair market value of the premises at such appraisal dates, as determined by appraisal as hereinafter specified; provided, however that the premises shall be valued and appraised at the date of the rental modification as unimproved land as defined herein. For purposes of rental modification, unimproved land shall mean the leased land in its original condition at the commencement date of the Lease, disregarding all building or structural improvements above or below grade, excavation or backfill, and disregarding all landscaping, paving, or encumbrances placed on the property by the Lessee. The foregoing notwithstanding, any improvements above or below grade placed on or made available to the property by the Lessor or at the expense of the Lessor shall not be disregarded. The unimproved land, as above defined, shall be appraised at its highest and best use regardless of its actual use, but subject to existing classification and zoning.

2. Special Assessments--In the event any general or special assessment is levied on the Premises for a part of the cost of any public work or improvement assessed according to benefit found by levying authority to accrue therefrom to the demised Premises, Lessee shall pay for the same.

3. Permitted Uses--The lands described herein are intended to permit any use which is consistent with zoning and building restrictions and statutes and governmental regulations now in effect or hereafter adopted by any governmental authority.

4. Liability Insurance--In the event of uses other than residential or agricultural, Lessor may require that Lessee will at his own expense obtain and maintain during the term of this Lease and any renewal term thereof comprehensive general liability insurance with respect to the leased Premises, naming Lessor as additional assured, from an insurance company authorized to do business in Alaska, with minimum limits of not less than \$200,000 for injury to one person and not less than \$1,000,000 for injury to more than one person in any one accident or occurrence, and insurance in a sum not less than \$200,000 against claims for property damage, or such higher limits as Lessor may from time

to time determine, with due regard to then prevailing prudent business practice in the State of Alaska, as reasonably adequate for its protection, and Lessee will from time to time upon receipt thereof deposit promptly with Lessor upon demand current certificates of such insurance.

ADI No. _____

The following clauses are hereby included in and by reference made a part of the attached lease document:

1. Modified Rentals--(a) Beginning with the lease year and continuing at five-year intervals thereafter, the annual rental shall be modified so as to equal _____ percent of the fair market value of the premises at such appraisal dates, as determined by appraisal as hereinafter specified; provided, however, that the premises shall be valued at the date of the rental modification as unimproved land as defined herein. For purposes of rental modification, unimproved land shall mean the leased land in its original condition at the commencement date of the Lease, disregarding all building or structural improvements above or below grade, excavation or backfill, and disregarding all landscaping, paving, leases or encumbrances placed on the property by the Lessee. The foregoing notwithstanding, any improvements above or below grade placed on or made available to the property by the Lessor or at the expense of the Lessor shall not be disregarded. The unimproved land, as defined above, shall be appraised at its highest and best use regardless of its actual use, but subject to existing use restrictions and zoning.

2. Special Assessments--In the event any general or special assessment is levied on the premises for a part of the cost of any public work or improvement assessed according to benefit found by levying authority to accrue therefrom to the demised premises, Lessee shall pay for the same.

3. Permitted Uses--Whereas the lands described herein are intended for recreational use they shall under the terms of this lease have a maximum use density of one recreational dwelling or structure and accessory building or structure which are reasonably necessary for the use and enjoyment of and are in keeping with the nature of the recreational lease.

ADL No. _____

The following clauses are hereby included in and by reference made a part of the attached lease document:

1. Modified Rentals--(a) Beginning with the lease year and continuing at five-year intervals thereafter, the annual rental shall be modified so as to equal _____ percent of the fair market value of the premises at such appraisal dates, as determined by appraisal as hereinafter specified; provided however that the premises shall be valued at the date of the rental modification as unimproved land as defined herein. For purposes of rental modification, unimproved land shall mean the leased land in its original condition at the commencement date of the lease, disregarding all building or structural improvements above or below grade, excavation or backfill, and disregarding all landscaping, paving, leases or encumbrances placed on the property by the Lessee. The foregoing notwithstanding, any improvements above or below grade placed on or made available to the property by the Lessor or at the expense of the Lessor shall not be disregarded. The unimproved land, as above defined, shall be appraised at its highest and best use regardless of its actual use, but subject to existing use restrictions and zoning.

2. Special Assessments--In the event any general or special assessment is levied on the premises for a part of the cost of any public work or improvement assessed according to benefit found by levying authority to accrue therefrom to the demised premises, Lessee shall pay for the same.

3. Permitted Uses--Whereas the lands described herein are permitted agricultural uses, they shall, under the terms of this lease, shall be limited to the following rights of use:

- (a) The right to develop one single family dwelling and accessory buildings or structures for the family's use.
- (b) The right to develop and utilize the property for agricultural purposes that include grazing of livestock, cultivation of crops or forage, and storage of crops, feed, animals, and agricultural equipment and supplies.
- (c) The right to construct fences, structures, and buildings reasonably required for agricultural production on the property.

(d) The right to harvest timber only as needed to clear fields, pastures, and roadways.

SENATE FINANCE COMMITTEE

March 9, 1977

9:03 a.m.

All members of the Committee were in attendance except Croft and Tillion. Also in attendance: Judy Crohdahl; Attorney General Avrum Gross and Bob Maynard, Assis' at Attorney General, Department of Law.

PRESENT

Chairman Sackett called the meeting to order. The following bill assignments were made:

SB 95	-	Butrovich
SB 209	-	Butrovich
SCR 15	-	Meland
CSSB 159	-	Orsini
SB 191	-	Butrovich
HB 152	-	Tillion
HB 154	-	Sackett
HB 189	-	Butrovich
HJR 10	-	Tillion
SJR 16	-	Hohman
SB 27	-	Sackett
SB 78	-	Orsini
SB 175	-	Sackett
SB 204	-	Hohman

BILL
ASSIGNMENT

Chairman Sackett moved that House Bill 122 (An act making a supplemental appropriation to the Alaska Pipeline Commission and providing for an effective date) be brought up for discussion. There being no objection, it was so ordered.

HB 122

Mr. Gross stated that \$656,000 of this request is for a contractual arrangement with Terry Lenzher to have him investigate the Alyeska construction for the State to aid their case before the Interstate Commerce Commission regarding tarrifs. Mr. Gross stated there are two parts to this contract: One is the Department of Law contracting for the actual trial; and the other is the investigation of the case which is with the Pipeline Commission.

Mr. Gross stated the Department of Law and the Pipeline Commission have met and concur that the overall control of this should belong to the Department of Law.

Mr. Gross stated there are two other areas which this appropriation is concerned with. One is \$156,000 for the Pipeline Commission to establish methodology to see how they are going to set rates. And the other is \$21,000 to hire a CPA Auditor and Engineer.

Senator Orsini asked if the CPA Auditor and Engineer was one position or two. Mr. Gross stated it is two positions and the funding requested is for three months in FY 77. These positions have been requested in the FY 78 budget.

AGO 936022 +

Senator Orsini moved that Senate Bill 159 (An act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. Senator Orsini stated that the bill dealt with complicated issues relating to state lands and the leasing of those lands. He advised that he understood some people who are leasing state lands are experiencing a great deal of difficulty due to reappraisal, and some are not. He further advised that in dealing with this matter, the committee might solve some of the problems and hurt the state, or it may maintain the state function and hurt some leaseholders. He added that his approach to the bill was to try to be as fair as possible to all concerned. He stated that he had spoken with appraisers, private lessors, and others involved in this type of transaction, and received a variety of different opinions. He advised that his intention was to make leasing of state land competitive with leasing of private land; that the provisions of leasing state land are not as beneficial to the lessor as are private provisions.

MOTION
SB 159

Senator Orsini advised that the Senate Resources Committee had drafted and passed a Committee Substitute for the original bill, and using Resources' Committee Substitute, he had drafted one of his own. He added that neither his bill nor Resources attempted to solve all of the problems, but did resolve some of the problem areas.

Senator Orsini presented committee members with copies of his graph outlining the relationship between inflation (cost of living) and land. Explaining his graph (copy attached to these minutes), Senator Orsini advised that in the 1960's inflation figured at approximately 3%. During this same time frame, the value of land increased 10%. In the early to mid 70's, the situation is somewhat different due mostly to the pipeline which produced a rapid increase in the cost of living in Alaska of about 7%. At the same time, values of land in Alaska increased 15%. Senator Orsini advised that from the above figures, he attempted to come up with figures for use in dealing with the leasing of state land.

Chairman Sackett requested that Senator Orsini explain the differences between his committee substitute and the one prepared by Resources.

Senator Orsini advised that the Resource Substitute proposed a lease for a total of 55 years. The initial lease period would be 25 years, and thereafter reappraisal and changes in

rent occur every 10 years. The current provision is for these reappraisals to occur every 5 years. My Committee Substitute would provide for 3 initial 10 year periods, and thereafter 5 years. The above provisions are based upon the need for a ceiling for loan purposes from commercial banking institutions. He further added that his proposed Committee Substitute puts a ceiling on the three 10 year periods, and this ceiling is a key point in the ability of the lease to support financing.

Senator Butrovich advised that he felt the length of time would be important in determining whether or not a lease met the criteria established by a banking institution for loan purposes, and asked Senator Orsini if he had checked the terms of his proposed Substitute with the requirements of financial institutions. Senator Orsini advised that the banks were looking for stability. They need the ceiling so they can evaluate the risk involved, and the proposed Committee Substitute has a 30-year ceiling.

Senator Butrovich stated that the Resource Substitute appeared to offer a 25 year initial leasing period while Senator Orsini's changed that time period to 10 years. Senator Orsini replied that it should be viewed as a change from 25 years to 30 years. There is a difference in the amount we can charge at the end of each of the three 10-year periods, but there is a ceiling on the whole 30 years.

Senator Butrovich questioned Senator Orsini concerning how he had arrived at the 170% included in the ceiling. Senator Orsini advised that the percentage figure was derived from the percentage of inflation the state has experienced over the past 10 years. My thinking on that was that cost of living is not only an increase in costs, it is also an increase in income. The economic value from the property would increase as well as the cost of other things. If the state is not in a period of high inflation, the percentage would be the lower fair market value. As an example, Senator Orsini advised that if a leaseholder had a \$1,000 annual lease, and assuming that the percentage actually goes to 170%, the breakdown would be:

\$1,000 for the first ten years
\$2,700 for the second ten years
\$2,900 for the last ten years.

Senator Butrovich asked if Senator Orsini had conferred with people testifying before Resources regarding the content of his Committee Substitute. Senator Orsini advised that he

had only completed work on the proposed substitute last evening, adding that he wasn't sure it would get by the Governor, but further adding that there was no question in his mind but that the Governor would veto the Resource Committee Substitute because the time period contained therein is too long.

Senator Orsini advised that another area that should be discussed pertains to the two items that should be taken into consideration when calculating rent. The first item is valuation; and the second is rental rate. Senator Orsini stated that discussions with private lessors had convinced him that the current 8% rental rate charged by the state is too high. The opinion appears to be that 6% is a fair rate given the restrictions on state leases. He further advised that part of the problem is the fact that conditions vary, and what the Committee Substitute attempts to do is build a fair but flexible rental rate based on comparable private rental.

Chairman Sackett asked what the Resource Committee Substitute proposed in the way of rental rates, and Senator Orsini replied that Resources has a maximum of 10%. Senator Orsini stated that his Committee Substitute floats the rental rate; that 8% is the going private rate, but the state has additional conditions (such as lack of an option to purchase) that make it less attractive for an individual to lease state land at 8%.

Senator Orsini further advised that he did not address the question of whether or not the state should be in the leasing business. If we are going to be in the business, it should be conducted as fairly as possible and made attractive enough so people will lease. On the other hand, the state shouldn't give the land away because it does belong to the people.

At this time Chairman Sackett advised that the committee would hear testimony pertaining to the two Committee Substitutes from those present. Mr. George Hollett, Deputy Director of the Division of Land and Water Management addressed the committee advising that he had not before had an opportunity to review Senator Orsini's substitute. Mr. Hollett advised that the state has lease agreements under existing statutes that are not compatible with the going market. Private leases are effected on a case by case basis which the state is unable to do. The state has to set stipulations that apply to all, and added that the Resource hearings pretty well brought out current problems with state leasing.

GEORGE HOLLETT
DIV. LAND &
WATER MANAGEMENT

Mr. Hollett further advised that he was aware that if the state was to give 25 year rental terms, the banking facilities would look favorably upon this provision. He further stated that he would hope something would develop which would lend stability if the state is going to be in the leasing business. We find that in residential pieces of property, there has to be a stable period of time in order for institutions to lend. On commercial property the time doesn't have to be as long or there must be a ceiling so the banker can come up with some figures as to payback.

Senator Butrovich advised that he was concerned about what the state is doing to individuals who have entered into leases and improved the property. These people have existing leases and suddenly the state is escalating the rental price on property upon which they have substantial investments. Mr. Hollett advised that everyone agreed that a problem exists. There has to be something in the statutes that lets us get to this situation. The present day situation calls for the state to look at land and get the value.

Senator Orsini advised that his Committee Substitute addressed the question of how to take care of leases entered into over the past 5 years, and referred the committee's attention to Section 4. He advised that this section was very close to the provisions of the Resource Substitute in that it allows a person with an ongoing lease to enter into the new leasing system for the remainder of his lease. The Resource version would allow this person to enter into a total new lease. The ability to change over to the new system would expire on January 1, 1979. If the lessee should choose not to become bound under the new system, his lease would continue as before.

Mr. Joe Wilhour advised that he is currently a leaseholder in the Alaska Industrial Park Subdivision. He advised that he was unable to testify regarding Senator Orsini's proposed Committee Substitute due to the fact he had received a copy upon entering the committee room and was unable to listen to the previous testimony and read the proposed substitute at the same time. He advised that the Resource committee had come up with an acceptable bill which did not cover everything, but would at least keep the leaseholders in his area from losing their land. He stated that if a leaseholder is run off his land, he not only loses the

JOE WILHOUR
ALASKA
INDUSTRIAL
PARK

lease, he loses his improvements and is still left with a mortgage to repay at the bank. He added that there was a definite need for a ceiling, but added that it was no good if the ceiling is too high.

Senator Orsini asked Mr. Wilhour what had happened to his land since the lease commenced. Has there been any rezoning, road improvements, etc. Mr. Wilhour replied that there had been no rezoning, and not much in the way of road improvements either. There had been a recent sewer and water project effected in the area though. Senator Orsini referred to page 2, line 17 of his proposed Substitute dealing with state reappraisals. He advised that under this section, improvements made to leased property by the individual would not be included within the reappraisal. The reappraisals would consider only state-implemented improvements.

Senator Hohman asked Mr. Wilhour how many people maintained leases within the above Industrial Park Subdivision. Mr. Wilhour replied that there are approximately 64 leases. Mr. Hollett advised that of the total 980 outstanding leases between the state and various individuals, not all of them would be affected as adversely as Mr. Wilhour whose lease is in an area where prices have been rising rapidly. Senator Hohman advised that it was his understanding that some leaseholders are being threatened to the point where they will have to walk away from the land, leaving their improvements and investments behind. Mr. Hollett advised that the 63 members of the Industrial Subdivision had hired Doug Baily to represent them in this matter. Mr. Wilhour advised that he believed more leaseholders than those within the Industrial Subdivision were involved in this problem, and cited the Matanuska Valley as another area where the raise in lease price has been just like an eviction notice. The leaseholders just cannot pay the price.

Senator Tillion referred to page 4, line 21 of Senator Orsini's Committee Substitute, dealing with long term financing. He stated that this section encouraged a person to go to a banker rather than trying to fund the lease himself. He further stated that he believed that a person who could fund the lease out of his own finances should have the same consideration as someone who has borrowed the money.

Senator Orsini again referred to the reappraisal and the fact that he didn't feel improvements made by the individual should increase the value--only state improvements should have this effect. Mr. Davis advised that he didn't think there would be any serious contention regarding this provision, but added that in effect the provision would only make it more difficult to conduct the appraisal. He stated that he didn't feel this type of assessment would be a practical approach to the situation, adding that it would put the appraiser in the position of having to consider school facilities, rezoning, water, sewer, and road systems relating to the property, and yet close his eyes to the buildings and other improvements located on the property when making his evaluation.

REAPPRAISAL
PROBLEMS

Chairman Sackett advised committee members and those present that the committee would bring the bill up for further discussion at the bill session scheduled for 8:00 a.m., April 4, 1977.

Chairman Sackett moved that Senate Bill 228 (Supplemental appropriation to the Office of the Governor, Alaska Plan Committee) be brought on for discussion. Mr. Milo Griffin, Executive Director of the Alaska Plan appeared to testify. He advised committee members that last year the Plan had requested \$320,000 for yearly operation. The Governor's office cut that figure to \$100,000, and we ran out of funds as of the 15th of this month. The audit recommended that we be refunded, and the Governor's office said they would submit a supplemental to give us enough funds to operate at the existing level.

MOTION
SB 228
ALASKA PLAN

TESTIMONY
MILO GRIFFIN

Senator Croft asked Mr. Griffin where the Plan currently is operation-wise. Mr. Griffin replied that they had cut their staff from 14 to 5, and they currently don't have enough funds for payroll this month. He added that Judy Greene from the Governor's office was to have initiated the supplemental but had apparently not followed through. The Plan needs \$50,000 to carry it until June.

Senator Hohman asked if the internal audit report resulted from a routine audit, and Mr. Griffin replied no, the Plan was asking for funds and the Governor's office was not sure whether we should be a state agency or remain in our current status. The audit determined that it would cost too much for us to become a state agency, so the Governor's Office has requested the supplemental.

The meeting adjourned at approximately 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 4, 1977

8:15 a.m.

All members of the Committee were present, with Senators Croft and Butrovich arriving late. Also in attendance: Milt Barker, Fiscal Analyst; Judy Cronlin, Administrative Assistant. Mr. Ken Davis and Joe Wilhour, Lease holders of State land; and the following persons from the Department of Health and Social Services: Marsha Hubbard; Dr. Jerry Schiader, Director, Division of Mental Health; and Bob Kemp, Acting Director, Division of Public Assistance.

PRESENT

Chairman Sackett called the meeting to order and made the following bill assignments:

SB 19 - Sackett
SB 44 - Meland
SB 117 - Sackett
SB 152 - Meland
SB 184 - Meland
SB 200 - Butrovich
SB 228 - Hohman
SB 240 - Croft
SB 275 - Hohman
SB 276 - Hohman
SB 279 - Tillion
SB 280 - Tillion
SB 281 - Tillion
SB 284 - Butrovich
CSHB 84 - Orsini
HB 186 - Sackett
HB 349 - Sackett
SCR 38 - Butrovich

BILL
ASSIGNMENTS

Senator Orsini moved that Senate Bill 159 (Act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini presented information to the committee concerning growth in value of vacant real estate. He also stated that he has received a three page letter from the Legislative Affairs Agency on his proposed Finance Committee Substitute for SB 159 concerning the legal ramifications. He stated he has not yet had the opportunity to go through this in its entirety.

Senator Orsini advised he has talked with Ted Smith concerning the House version of this bill (HB 383) and that it is the same as the recommended Resource Committee Substitute with one minor change in Section 2.

Senator Orsini stated that most lands that are leased are lands held in trust for municipalities or the University and that additional lands will be coming to the State from the village corporations under the land claims act.

Mr. Ken Davis presented testimony to the Committee concerning SB 159. He stated they are in favor of the Resources Committee Substitute for SB 159. He believes the Committee Substitute addresses the needs of both the lease law and the lease holders. He stated that paragraphs one and two on page one are particularly necessary to meet the needs of financial institutions as they have been quoted to him in the last twelve months. He stated that financial institutions requirements are normally for a ten year period exceeding the end of the mortgage. He stated that financial institution will not look at the normal 25% down credit approach. The applicant must have sufficient assets in order to build on State leased land.

RESOURCE
COMMITTEE
SUBSTITUTE
SB 159

Senator Orsini asked if most private leases had an escalator clause and Mr. Davis said they did. Senator Tillion stated that most private leases have an escalator clause but it is designed to give the leasor the same buying power. It is not based on the land becoming more valuable.

Senator Orsini stated that the point is that lending institutions will not loan money on a lease that may increase in value over a period of years. Senator Croft asked if anyone knew of a private lease that was based on the value of land. Mr. Davis stated he knew of none. Senator Tillion stated this was the point he was trying to make.

Mr. Davis stated that page 2, line 23, and page 3, paragraph B of the Resource Committee Substitute, do give financial institutions the right to collect if there is a default. He stated that under present law that right does not exist.

Mr. Davis stated that under line 7 on page 4, the land will be coming back to the State at a faster time frame than you might normally expect.

Chairman Sackett asked for Mr. Davis's comments concerning Orsini's proposed Committee Substitute. Mr. Davis stated that with page 1, line 12 no one would be able to obtain a loan except by using his personal assets. He stated he believes paragraph two takes the incentive for developing a property away. He stated the first ten year appraisal could remove the initiative for anyone to take the initial step in developing a property. He stated he does think the five year terms from that point on are realistic.

FINANCE
COMMITTEE
SUBSTITUTE
SB 159

Mr. Davis stated the State has chosen not to develop the property they are leasing. They have chosen to maintain the property to insure they get an income. He stated the income over a period of years can be less since they have chosen not to develop. Mr. Davis stated that Senator Orsini's proposed bill goes just a little further than HB 383 (Governor's bill by request).

Discussion on the escalation clause being based on improved value of land and on inflationary value. Mr. Wilhour stated that in addition to having the land improved, the state receives additional benefits from its development in income tax, gross tax, benefits of employment and taxes from them. Mr. Davis stated that on page 2, line 11 of the Resource Committee Substitute there is an additional inflationary edge, in that the State can ask and receive prepayment of the annual rental rate.

Senator Croft stated there are several portions of Orsini's proposed Finance Committee Substitute that are desirable. Senator Croft moved that a Finance Committee substitute be drafted to include page 2, subsection (e) of Orsini's proposed committee substitute and that the first two lines be changed to "Changes in property value due to governmental actions, off property improvements, . . ." and that "single family" be added before "residential development" on page three, line 26 of the Resolution Committee substitute. Discussion on the changes. There being no objection, it was so ordered.

SB 159
MOTION

Senator Meland asked Mr. Davis if he agreed with the changes. Mr. Davis stated he could see no problem with the changes.

Chairman Sackett stated the Finance Committee Substitute for SB 159 would be drafted and presented to the Committee at the April 5, 1977 meeting.

Senator Meland moved that Senate Bill 122 (Supplemental appropriation to the Department of Health and Social Services) be brought up for discussion. There being no objection, it was so ordered. Senator Meland stated persons from the Department of Health and Social Services were here to answer questions on this supplemental appropriation. Ms. Hubbard stated the Malpractice portion is being changed from 144.6 to 138.2 and that the general fund portion is 105.8. She advised there were originally eight BRU's involved with malpractice and that there are now four. Discussion on malpractice.

SB 122

Ms. Hubbard advised that Medicaid has been reduced to zero. She stated that General Relief Medical has been increased from 125,000 to 243,200. Ms. Hubbard stated they have found that one-third of the expenditures for a given fiscal year are submitted and paid after that fiscal year. She stated their current authorized amount is \$2.5 million and their expenditures are \$2.7 million. Discussion on reason for delay in submission of bills. Mr. Bob Kemp stated that services are often rendered before a person is found eligible for General Relief Medical. Ms. Hubbard stated they have conducted a poll concerning date of services and date of payment. She will provide this information to Milt Barker.

SENATE FINANCE COMMITTEE

April 5, 1977

9:10 a.m.

All members of the Committee were present. Also in attendance: PRESENT
Mr. Ken Davis and Mr. Joe Wilhour, Lease Holders of State
Land; Ross Schaff, State Geologist, Division of Geological
and Geophysical Surveys, Department of Natural Resources;
Milt Barker, Fiscal Analyst, and Judy Crondahl, Administrative
Assistant; and Elaine Mitchell of the Press.

Chairman Sackett called the meeting to order and stated the
proposed Finance Committee Substitute for SB 159 (act relating
to leasing of state land other than for extraction of natural
resources) had been redrafted.

SB 159
FINANCE
COMMITTEE
SUBSTITUTE

Senator Croft stated that several of the Committee's changes,
as stated at the April 4 meeting, were not included in the
Committee Substitute. The following changes in the pro-
posed Finance Committee Substitute were made:

Page 4, line 1 - "single family" was added before
"residential"

Page 4, line 5 - "single family" was added before
"residential"

Page 4, lines 6 & 7 - a period was inserted after
"occurs" and "and only if necessary for obtaining
primary long-term financing." was deleted

There was discussion on whether or not the word "primary"
on page 3, line 28 should be deleted. Mr. Davis stated
that the Ad Hoc Committee had recommended that "primary"
be deleted; however it was not a unanimous decision.
Mr. Davis stated that those that wanted to leave the word
in felt that it did give some latitude. He stated that if
it was not left in, and there was no comparable market,
then they would have no place to go.

Senator Tillion moved that lines 14 and 15 on page 4 be
amended to read: (2) changes in property value due to
private improvements made to the property or other privately
owned or leased property since originally entering into the
lease shall be excluded. He stated the purpose of this
was to insure that the value of the land was not increased
due to improvements made by the developer on the leased
or privately owned land surrounding it.

Senator Orsini stated his understanding was that this was
taken care of by adding "governmental" to Section 1 on line
12, page 4. Senator Tillion stated this only exempted the
particular property the individual has a lease on; it does
not exempt him from increased land values because of improvements
on property surrounding his lease.

Senator Croft stated he did not agree with the motion. He
stated he was not convinced that all actions on other areas
should be excluded.

AGO 936032

Question on Tillion's motion. Croft opposed. Motion carried.

Ms. Crondahl advised that at the April 4 meeting, the Committee has concurred that Section B of Orsini's proposed Committee Substitute was to be included. She stated that when the bill was redrafted, Mr. Jack Chenowith advised her that if Section B was to be included, then Section D must also be included. The Committee had no objections to the addition of Section D (line 26, page 2 of the current Finance Committee Substitute draft).

Senator Croft moved that Finance Committee Substitute for SB 159 be passed from the Committee with individual recommendations. There being no objection, it was so ordered.

SB 159
MOTION

Chairman Sackett moved that Senate Bill 58 (relating to hydrological data) be brought up for discussion. There being no objection, it was so ordered. He introduced Mr. Ross Schaff who stated that the Constitution in Article 8, Section 13, provides that the State is the owner of the water in the State and allocates that water. He stated that in terms of allocation, NR is charged with appropriation of the water, DEC controls pollution, and Fish and Game controls the wildlife.

SB 58

Chairman Sackett asked if the private owner drilling his own well would be required to fill out the paperwork and Mr. Schaff said he would.

Senator Tillion asked if the non-professional well driller would have to hire a professional. Mr. Schaff stated that is not the intent, but the non-professional would have to file with them and log what had been drilled that day.

Chairman Sackett stated he would come back to the Committee with a Committee Substitute or amendment on SB 58.

Chairman Sackett advised that close-outs would begin on Monday, April 11 at 1:30 p.m. with the Education Committee of the Whole.

The meeting adjourned at 10:02 a.m.

ADJOURN

AGO 936033



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3715

13 April 1977

Guy R. Martin, Commissioner
Department of Natural Resources
Pouch M
Juneau, Alaska 99811

ATTENTION: Pat Conheady

Dear Commissioner,

The House Resources Committee will be reviewing HB 445 Leasing of State Land. HB 445 has not been scheduled yet. We will notify you later in regards to the date, time and location.

Please supply us with a position paper or material you have on this bill by the time of the meeting. If you have information pertinent to this topic, the Committee would appreciate receiving that, too. If you know of other interested groups, please contact them.

If you have suggested amendments, please supply the staff with copies of that prior to the meeting.

If there is a fiscal implication and a note is necessary, please prepare it and submit it to the Committee -- preferably prior to the meeting.

Thank you for your cooperation.

Sincerely,

Al Osterback, Chairman
House Resources Committee

AO:ts

Real Estate Services Corporation

Appraisers, Counselors, Investment Analysts

KENNETH JAY GAIN, M.A.I., S.R.P.A., C.R.E.C.
PRESIDENT

STATEWIDE SERVICE

FRANKLIN M. KING, JR., M.A.I.
EXECUTIVE VICE-PRESIDENT

507 W. NORTHERN LIGHTS BLVD.
ANCHORAGE, ALASKA 99503
(907) 274-7636

GARRETT W. WALDNER, R.M., S.R.A.
SECRETARY-TREASURER

April 8, 1977

Senator Joseph Orsini
Alaska State Senate
Pouch V
Juneau, Alaska 99811

RE: Committee Substitute for Senate Bill #159

Dear Senator Orsini:

I have reviewed a copy of the above-referenced bill which you sent to me. Basically, I consider it an improvement over the present leasing policy. It would appear that it will be easier to finance improvements on leases due to the fact that rents will be fixed with 10-year periods and that there will be less likelihood for small businessmen and homeowners leasing State land to be forced to abandon or sell their leases because of the ravages of inflation. Likewise, during periods in which cumulative inflation is less than 70% during any 10-year period, the State will be able to adjust the rents to Fair Market Values at the end of each lease period.

However, because of the longer periods between rental adjustments and the fact that maximum rental adjustments are provided for, in periods in which there is rapid inflation or rapid increases in land value, a Lessee could accumulate a sizeable leasehold interest which could be sold at a substantial profit. Since I am certain that it is your desire to make State land readily available to the citizens of the State of Alaska, but not allow them to speculate at the expense of other taxpayers, I would suggest that the following change be made to the bill: ["In the event that a leaseholder sells or assigns his lease to another party, a re-determination of the annual rental shall be made pursuant to Paragraph 4E and the purchaser or assignee shall be obligated to pay that rental until the next rental adjustment period."] I feel this amendment will allow the Lessee to have the advantages and protection provided for in this bill without allowing him to receive a windfall profit at the expense of the State and its other taxpayers.

In sub-paragraph J, where the term MAI Appraiser is used, a more proper definition would be "an appraiser who is a member of the American Institute of Real Estate Appraisers holding the MAI designation". Since there are now a number of Alaskan appraisers who have the MAI designation, it might be advisable to require that, in addition to holding the MAI designation, the appraiser also be a resident of and doing business in the State of Alaska.

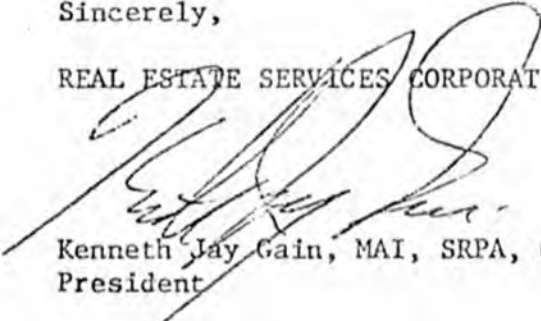
April 8, 1977
Senator Joseph Orsini
Page 2

It is my opinion that resident appraisers will be able to do a better appraisal at less cost. If this provision is not included in the bill, in some cases, Lessees may bring in non-resident appraisers (I am assuming that the State will uphold it's philosophy of local hire) who, because of their lack of familiarity with Alaskan conditions, will require a greater time to complete an accurate appraisal. Since the State will be paying half of the cost of such appraisals, I see no justification for the taxpayers of Alaska to pay the cost of travel and lodging for non-residents, plus the additional fee that will be required for a non-resident to familiarize himself with Alaskan conditions.

While I am sure that no bill can be written that will be 100% satisfactory to everyone, I feel that with the above-referenced changes, this bill will be a marked improvement over the present law. If I can provide you with any additional information, please feel free to call on me.

Sincerely,

REAL ESTATE SERVICES CORPORATION



Kenneth Jay Gain, MAI, SRPA, CRSS, CREC
President

KJG/kaj

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.
PHONE: 886-6440
KUNEAU, ALASKA 99801

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PMS REP AL OSTERBACK

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I WISH TO THANK YOU FOR YOUR EFFORT AND SUPPORT OF SEIPD

KENNETH W TAYLOR 1555 E ST ANCHORAGE 99501

AGO 936040

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TELEGRAM

AGA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

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PMS REP ALVIN OSTERBACK

JUN

WE HAVE BEEN ADVISED THAT SB159 WILL BE VOTED ON AGAIN
MONDAY IN THE HOUSE RESOURCES COMMITTEE. AS CHAIRMAN OF
THAT COMMITTEE WE HOPE YOU WILL EXERT YOUR INFLUENCE
TO BRING THAT BILL TO THE HOUSE FLOOR UNAMENDED AND VOTE
FOR ITS PASSAGE THERE ALSO.

MR AND MRS HARRY CUMMINGS

SOLDOTNA AK

AGO 936039