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FROM AGROBIOLOGICAL

Scientific Department of Agricultural Management

Faculty of Agricultural Sciences



Will Alaskan Farmers Sell the Development Rights to their Land?

By William G. Workman*, Edward L. Arobio**,
and Anthony F. Gasbarro***

INTRODUCTION

In Alaska, as in many other parts of the country, market forces are producing a change in land-use patterns that is resulting in the conversion of highly productive agricultural lands to nonagricultural uses. Property on the urban fringes of Anchorage and Fairbanks that once produced vegetables and grains or supported dairy farms appears most vulnerable to this conversion to residential or industrial sites. Within the last three years

alone, for example, 27 farms have been subdivided in the Palmer-Butte area of the Matanuska Valley. Many of the subdivisions along the Parks Highway between Willow and Talkeetna are located on lands with high agricultural potential.

This displacement of farms by subdivisions, roads, shopping centers, and other nonagricultural enterprises is viewed by some Alaskans as not being in the state's best interest. Those concerned about the loss of agricultural lands argue that the areas most likely to be converted represent some of the best agricultural lands in the state and are vital to the maintenance and further development of an agricultural economy in Alaska. In addition, it is suggested that the preservation of these areas will help to maintain a much-desired way of life and to provide needed open space and other environmental amenities at the urban fringe. These concerns have resulted in actions by the

* Associate Professor of Economics, Agricultural Experiment Station, Fairbanks.

** Research Associate in Economics, Agricultural Experiment Station, Fairbanks.

*** Forester, Agricultural Experiment Station, Fairbanks.



UNIVERSITY OF ALASKA, FAIRBANKS
Fairbanks, Alaska 99701

School of Agriculture and Land Resources Management
Agricultural Experiment Station

August 14, 1978

Dear

The Agricultural Experiment Station at the University of Alaska is conducting a survey of Alaskan farmers. This survey is part of a study concerning the future use of agricultural lands near population centers of Alaska. We need your assistance to make this study a success.

Agricultural lands are rapidly being converted to other uses such as residential lots, airports, and shopping centers. Land is becoming more expensive and some farmland owners are convinced that it makes more sense to develop agricultural land than to farm it. Other people are concerned that we are converting too much of the farmland near cities to nonagricultural uses and that it would be wise to preserve these lands so that food can be grown close to large population centers and so that there will continue to be open space near urban areas.

Many ways are being tried to preserve agricultural lands in other areas of the United States. Some of these include tax incentives, zoning and the trading of land. Another way is for a state or municipality to purchase from the farmland owner his right to develop his land for anything but farming. For a price, the farmer would give up his option to use his land for nonagricultural purposes; the land would still be his, but he could do nothing that would impair its agricultural potential.

The principal objective of our study is to determine (1) farmers' interest in selling development rights and (2) what it might cost the State of Alaska to purchase these rights. A short questionnaire is enclosed and we would be grateful if you will fill it out and return it to us in the enclosed postage paid envelope before September 1, 1978. All information will be kept confidential. If you desire we will be happy to send you a final report at the completion of the study.

Thank you for your cooperation.

William G. Workman
Dr. William G. Workman
Resource Economist

WGW:ks
Enclosures

A division of the University of Alaska statewide system of higher education

Figure 1

state and municipal governments in Alaska to intervene in the land market to slow down or stop the loss of agricultural land. Methods employed include tax incentives (use-value assessment of farmland) and the sale of only the agricultural rights on state and municipal lands.

Recently, some state government officials have developed an interest in a new method of agricultural land preservation that is being adopted in some of the eastern states. This method involves the public purchase of nonagricultural development rights on agriculture lands currently held in the private sector. Usual development rights associated with a parcel of real property permit the landowner to develop his land beyond its current agricultural use, and because these rights can be separated from the total bundle of rights, they can be sold, thus transferring from the landowner the right to develop his land. This, then, is the concept behind the purchase of development rights as an agricultural land control device. In order that land remain in agriculture use in areas being converted to other uses, govern-

ALASKA AGRICULTURAL LANDS SURVEY

1. How many acres do you currently farm or ranch?

Your own land _____
Land rented or leased _____
From other landowners _____
From the government _____
Total acres _____

2. What crops or livestock do you produce?

Crops	Acres		
	Your own	Rented from others	Leased from government
Vegetables or potatoes	_____	_____	_____
Small grains	_____	_____	_____
Hay or silage	_____	_____	_____
Planted Pasture	_____	_____	_____
Native Pasture	_____	_____	_____
Livestock	Number of Head	Livestock	Number of Head
Dairy cattle	_____	Swine	_____
Beef cattle	_____	Poultry	_____
Sheep	_____	Other (specify)	_____

3. What do you estimate is the per acre market value of agricultural land:

Your own land: Cleared _____\$/acre Uncleared _____\$/acre
That you rent (exclude government leases): Cleared _____\$/acre

4. Would you be interested in selling development rights to your agricultural land? Selling such rights would mean that your land could be used for agricultural or forestry purposes only.

Degree of interest	Cleared	Uncleared
Not interested	_____	_____
Slightly interested	_____	_____
Moderately interested	_____	_____
Highly interested	_____	_____

5. At what price would you sell the development rights to your agricultural land: _____\$/acre.

6. Please describe the location of your farm or ranch.

Nearest town _____ Distance from town _____
Direction from town _____

Thank you for your cooperation. A summary of the results of this survey will be available to you on request.

Figure 2

ments might purchase the development rights from agricultural lands. These lands could then be used only for agricultural purposes.

In June of 1978, the Agricultural Experiment Station at Fairbanks was asked by the Alaska Department of Natural Resources to evaluate such a program for Alaska. As a part of this assessment, a survey of Alaska farmers and ranchers was conducted primarily to determine their interest in such a program and to obtain estimates of the costs of purchasing these development rights. The results of this survey are reported here.

SURVEY RESULTS

During August of 1978, a questionnaire, with a brief explanation of the development rights concept in the cover letter (Figure 1 and 2), was mailed to 263 agricultural landowners in the most important farming or livestock areas of the state. Since there is no statewide, farmers' organization in Alaska, the names of landowners were obtained from the mailing lists of state and federal agencies that distribute agricultural information. Undoubtedly these lists did not include all of the people who consider themselves farmers. Of the questionnaires mailed, 18 were returned as undeliverable, leaving 245 that actually reached their destination, of which 112 (46%) were returned completed (Table 1).

Questionnaire recipients were asked to indicate their degree of interest in selling the development rights to their cleared and uncleared agricultural lands. Specifically they were asked to indicate whether they were highly, moderately, slightly, or not interested in selling these rights. Approximately 94%, 106 of 112 respondents, answered this question. The distribution of these expressions of interest can be seen in Table 2.

Most of the respondents in all regions except the Matanuska-Susitna area expressed little or no interest in selling develop-

Table 1: Questionnaire Response by Region

Region	No. Questionnaires Delivered	No. Questionnaires Returned (%)
Fairbanks	52	24 (46)
Delta	34	10 (29)
Copper River Basin	15	10 (67)
Matanuska-Susitna	106	41 (39)
Kenai-Kodiak	38	27 (71)
TOTAL	245	112 (46)

Table 2: Degree of Interest in Selling Development Rights to Agricultural Land

	Number of Respondents (%)			
	No Interest	Slight Interest	Moderate Interest	High Interest
Fairbanks	14	2	4	4
Delta	7	2	0	0
Copper River Basin	6	1	2	1
Matanuska-Susitna	13	6	7	12
Kenai-Kodiak	13	4	3	4
Statewide	54 (51%)	15 (14%)	16 (15%)	21 (20%)

Table 3: Perceived Market Value of Cleared and Uncleared Land by Number and Percentage of Respondents in Dollars per Acre

Per Acre Value	Number of Respondents (%)	
	Cleared Land	Uncleared Land
0-999	18 (26)	24 (39)
1,000-1,999	11 (16)	5 (8)
2,000-2,999	10 (14)	11 (18)
3,000-3,999	8 (12)	4 (6)
4,000-4,999	6 (9)	4 (6)
5,000-5,999	4 (6)	4 (6)
6,000-6,999	3 (4)	3 (3)
7,000-7,999	3 (4)	3 (5)
8,000-8,999	1 (1)	-0-
9,000-9,999	-0-	-0-
10,000	5 (5)	4 (6)
TOTAL	69	62

ment rights. Those respondents living in the Matanuska-Susitna region were evenly divided on the question: half indicated little or no interest and half expressed moderate to high interest. On a statewide basis, 65% expressed little or no interest and 35% indicated moderate to high interest. Over half of all these moderately or highly interested in selling development rights were from the Matanuska-Susitna region.

Questionnaire respondents were also asked to estimate the value of their farmland. Sixty-nine of the 112 respondents indicated what they perceived as the market value of their cleared land and 62 answered the same question about uncleared land. The distributions of these values are shown in Table 3. On a statewide basis, most of the respondents perceived the market values of both uncleared and cleared land to be less than \$5,000 per acre. Uncleared land was valued at less than \$5,000 per acre by 77% of the respondents and at less than \$3,000 per acre by 65% of the respondents. Correspondingly, for cleared land 77% of the respondents valued their land at less than \$5,000 per acre while 56% indicated a value of less than \$3,000 per acre.

Average market values for cleared and uncleared land as perceived by the respondents were calculated for each region. These data are summarized in Table 4. Average values for cleared land ranged from \$1,500 per acre in Delta to \$3,900 per

Table 4: Average Perceived Market Values of Land by Region (Dollars per Acre)

Region	Cleared Value	Number Respond.	Uncleared Value	Number Respond.
Fairbanks	\$3,900	13	\$2,900	11
Delta	1,500	9	1,300	8
Copper River Basin	1,900	6	900	6
Matanuska-Susitna	3,800	28	3,600	24
Kenai-Kodiak	3,700	13	3,100	13
TOTALS		69		62
WEIGHTED AVE.	\$3,300		\$2,800	

Table 5: Value of Development Rights (Dollars per Acre)

Value	Number of Respondents (%)	Value	Number of Respondents (%)
0-999	6 (15)	5,000-5,999	3 (8)
1,000-1,999	8 (21)	6,000-6,999	2 (5)
2,000-2,999	7 (18)	7,000-8,999	-0-
3,000-3,999	6 (15)	9,000-9,999	1 (3)
4,000-4,999	2 (5)	10,000	4 (10)

Table 6: Average Development Rights Values (Dollars per Acre)

Region	Value	No. of Respondents
Fairbanks	\$3,200	5
Matanuska-Susitna	3,600	21
Kenai-Kodiak	3,100	8
TOTAL		34
WEIGHTED AVERAGE	\$3,400	

acre in the Fairbanks region. Three of the regions (Fairbanks, Matanuska-Susitna, Kenai-Kodiak), accounting for nearly 80% of the respondents, differed by only \$200 per acre in the perceived average value of cleared land with values ranging between \$3,700 and \$3,900 per acre. The weighted-average, cleared-land value for the five regions was \$3,300 per acre.

Uncleared land values averaged slightly lower than cleared land values and ranged from \$900 per acre in the Copper River region to \$3,600 per acre in the Matanuska-Susitna region. As with cleared land, the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions accounted for nearly 80% of the survey respondents and showed a relatively narrow range of perceived land values. Average land values for uncleared land in these regions were between \$2,900 and \$3,600 per acre. The weighted average for all five regions was \$2,800 per acre.

Questionnaire recipients were asked to assess the value of the development rights associated with their farmland. A value of development rights was reported by 39 of the 112 respondents (35%). Thirty-four of these responses were from the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak areas. Nearly 70% of the respondents valued their development rights at less than \$4,000 per acre. The distribution of development rights values can be seen in Table 5.

Average development rights values as perceived by the respondents were calculated for the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions. These values are shown in Table 6. Average values were not calculated for the Copper River and the Delta regions because so few of these contacted in these areas responded to this part of the questionnaire. Average development rights values in the three areas mentioned ranged between \$3,100 per acre and \$3,600 per acre. Values were highest in the Matanuska-Susitna region.

Table 7: Farm Distance from Nearest Community Related to Degree of Interest³

Distance Category	Percentage of Respondents		
	Reporting	Moderate to High Interest	Little or No Interest
0-5	41	39	43
6-10	24	29	21
11-15	16	12	19
16-20	7	5	9
21+	12	15	9

³Based on 111 farmers reporting.

Average development rights values were also calculated by degree of interest, again using data from the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions. Calculations showed that those with a moderate or high interest in a development rights program on the average valued these rights at \$2,145 per acre. Those not interested in the program put a much higher value on these rights, \$4,662 per acre. Respondents in the moderate-to-high interest categories accounted for 63% of the total acreage represented in the survey responses.

Additional analysis of the survey data was undertaken to determine whether or not a landowner's interest in a development rights purchase program and/or his perceived value of these rights were related to the distance between his farm and the nearest population center. Table 7 presents a summary of the data relating to the interest/distance question. One can observe that the distributions of responses are similar between the moderate-or-high and low-or-no interest categories and are, therefore, similar to the pattern shown for all responses.¹ This close relationship suggests that farmers' interest in selling development rights is not significantly influenced by the location of his farm relative to a population center. When data for just those farm owners living near Palmer and Wasilla were broken out and analyzed in the same way, the identical conclusion was drawn.

We also addressed the issue of whether a landowner's perception of the value of the development rights to his property was influenced by the location of the farm relative to a population center. The expectation was that the closer the farm was to a town or city, the more attractive would be that land for development purposes and that this relative attractiveness would be reflected in the perceived value of the development rights. Unfortunately the quality of the data obtained through the survey did not allow a rigorous test of this proposition on either a local or statewide basis.

The data in Table 8 are presented to show the nature of the relationship or lack thereof between distance and development rights value as perceived by farmers near Palmer. No clear pattern emerges but, again, this conclusion must be qualified by recognizing that the data are not taken from a random sample. The fact that the expected relationship did not occur may perhaps also be explained by the existence of unrealistic expectations on the part of some landowners regarding the development value of their property. Consequently, these perceived values may not represent the minimum payments that these landowners might be willing to accept to forego their development options.

¹Using the chi square test for independence with the data on which Table 7 is based, we were not able to reject the hypothesis of independence of interest and distance at any reasonable level of significance. One must recognize, however, that these data were not obtained through random sampling. Thus, any inferences about the views of farmers in Alaska must be regarded with caution.

Table 8: Relationship Between Development Rights Value and Distance from Palmer

Distance (Miles)	Stated Values
0-1	\$10,000
	7,700
1	3,000
2	10,000
	3,500
	1,500
3	3,500
	1,000
	5,500
4	2,000
5	600
6	-
7	3,000
8	500
9	-
10	850
11	1,000

CONCLUDING REMARKS

The survey described here was designed to assess Alaska farmers' interests in participating in a development rights acquisition program for preserving agricultural lands and to provide an estimate of the cost to the state of purchasing these rights. While agricultural landowners in the Matanuska-Susitna Valley areas appeared the most receptive to this land use control concept, farmers surveyed statewide were generally not interested in selling the development rights to their farmland. When faced with the hypothetical proposition of selling these rights, nonetheless, farmers on the average valued the development options at \$3,400 per acre.

While it would be difficult to state confidently why farmers lack enthusiasm for the development rights purchase concept, several explanations appear plausible. First, as reflected in written comments on the returned questionnaires, some landowners may feel this approach to be just another invasion in their lives by "big government." Also, questionnaire respondents may have felt it to be a wise strategy, considering possible future price negotiations, to appear initially uninterested in disposing of their development rights.

Another possible explanation is that agricultural landowners might not be interested in selling development rights now since they anticipate that these rights will be worth more at some later date. This explanation, however, is not entirely satisfactory, since land prices and, therefore, development rights values presumably reflect the discounted value of future development benefits. Thus, in order for this reasoning to offer any promise, one must also argue that these farmers view the market as presently failing to accurately anticipate future development patterns.

The results obtained in this survey should be viewed with caution. Although a high percentage (46%) of delivered questionnaires was completed and returned, the sampling technique and the fact that some respondents did not answer all questions may have biased the results. Also, the concept of purchase of development rights was new to many farmers and this lack of familiarity may account for some of the negative interest shown by farmers. Still, the conclusion that must be drawn from this survey, keeping in mind the preceding caveats, is that Alaskan farmers at this time show little enthusiasm for the idea of selling their farmland development rights and place a significant value on these rights *vis-a-vis* the total market value of their agricultural land. □

THIS DISCLOSURE IS REQUIRED BY THE EQUAL CREDIT OPPORTUNITY LAW

STATEMENT OF CREDIT DENIAL

Date: 8/13/85
Applicant's Name: Donald W. Kratzer
Applicant's Address: P.O. Box 313, Nenana, AK
Description of Loan requested: Agricultural

Description of Adverse Action Taken:
Application Denied

PRINCIPAL REASON(S) FOR ADVERSE ACTION CONCERNING CREDIT

- | | |
|---|--|
| <input type="checkbox"/> Loan application incomplete | <input checked="" type="checkbox"/> Ineligible security |
| <input type="checkbox"/> Unable to verify credit references | <input type="checkbox"/> Ineligible purpose |
| <input type="checkbox"/> Temporary or irregular employment | <input type="checkbox"/> Delinquent credit obligations |
| <input type="checkbox"/> Unable to verify employment | <input type="checkbox"/> Garnishment, attachment, foreclosure, repossession, or suit |
| <input type="checkbox"/> Length of Employment | <input type="checkbox"/> Bankruptcy |
| <input type="checkbox"/> Insufficient income | <input type="checkbox"/> We do not grant credit to any applicant on the terms and conditions you request |
| <input type="checkbox"/> Excessive obligations | <input checked="" type="checkbox"/> Other, specify: <u>Unauthorized area</u> |
| <input type="checkbox"/> Unable to verify income | |
| <input type="checkbox"/> Inadequate collateral | |

DISCLOSURE OF USE OF INFORMATION OBTAINED FROM AN OUTSIDE SOURCE

- | | |
|--|--|
| <input type="checkbox"/> Disclosure inapplicable | <input type="checkbox"/> Information obtained from an outside source other than a consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request, within 60 days of receipt of this notice, for disclosure of the nature of the adverse information. |
| <input type="checkbox"/> Information obtained in a report from a consumer reporting agency | |
| Name: _____ | |
| Address: _____ | |
| Telephone: _____ | |

CREDITORS' NAMES AND ADDRESSES

THE FEDERAL LAND BANK OF SPOKANE
W. 705 First Avenue
Spokane, Washington 99204

FEDERAL LAND BANK ASSOCIATION OF Mt. Vernon
Address: P.O. Box C
Palmer, AK 99645
Telephone: 745-3390

EQUAL CREDIT OPPORTUNITY ACT NOTICE

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is The Farm Credit Administration, 490 L'Enfant Plaze, S.W., Washington, D.C., 20578.



NORTHERN SCHOOLS FEDERAL CREDIT UNION

901 CUSHMAN STREET, FAIRBANKS, ALASKA 99701 • 907/452-1949
CONSTITUTION HALL, UNIVERSITY OF ALASKA, FAIRBANKS, ALASKA 99701 • 907/479-4209

February 20, 1985

Don Kratzer
PO Box 313
Nenana, AK 99760

Dear Mr. Kratzer,

You requested a loan from us to finance construction of a residence on property you currently have agricultural rights to, but do not have a fee simple ownership outright to the property.

We will only finance amounts on real estate that an individual has fee simple ownership to and can present a clear title of ownership to the property.

Sincerely,

W.K. Dutton-Manager



National Bank of Alaska

Fairbanks Office: Pouch 1000 • Fairbanks, Alaska 99707-9990 • (907) 452-4733

August 26, 1984

Mr. Don Kratzer
Box 313
Nenana, Alaska 99760

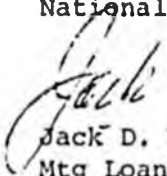
Dear Don,

Thanks again for your inquiry regarding a home mortgage on your property near Nenana.

We have both discovered through many sources that the availability of financing using a portion of a State of Alaska agricultural Parcel as collateral for a loan, is virtually impossible. Until such time that you are able to assign other than surface rights, such as fee simple title or extended leasehold to all or a portion of the ag-parcel, I feel, regretfully, that it would be pointless to persue your application further.

I realize that your are making extensive effort to find a solution to this problem and I hope you will not hesitate to contact me if I may be of any further assistance.

Very truly yours
National Bank of Alaska


Jack D. Williams
Mtg Loan Originator

JW/la

Alaska Farmers & Stockgrowers
Association, Inc.

P. O. Box 1722

Palmer, Alaska 99645

February 3, 1987

FEB - 9 1987

Ms. Judith Brady, Commissioner
Department of Natural Resources
3601 C Street - Frontier Bldg.
Anchorage, Alaska 99503

Dear Commissioner Brady:

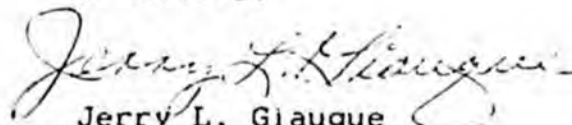
I think our meeting yesterday will prove to be productive. I am enclosing a copy of a letter to you which apparently got lost in the system. As noted in the letter, the Alaska Farmers and Stockgrowers Association membership has taken a strong position in expressing their preference for the directorship.

I do think that the director's position should be filled immediately. The director should be on board and working with an industry committee as soon as possible.

If the selection of the director, the committee and at least some preliminary formulation of ag policy is delayed four to six weeks we are risking disruption of the industry.

Most farmers are planning and making financial commitments to suppliers now; this process is normally completed by mid March.

Sincerely,


Jerry L. Giaugue
President

JLG:pg

cc: Mr. Pete Jeans
Mr. Jim Sellers
Senator Jalmar Kerttula
Senator Mike Szymanski
Senator Jack Coghill ✓
Rep. Curt Menard
Rep. Ron Larson
Rep. Dick Schultz
Mr. Mark Weaver

Alaska Farmers & Stockgrowers

Association, Inc.

P.O. Box 1722, Palmer, Alaska, 99645
"THE ALASKA FARM BUREAU"

January 15, 1987

Ms. Judy Brady
Commissioner
Department of Natural Resources
Juneau, Alaska 99811

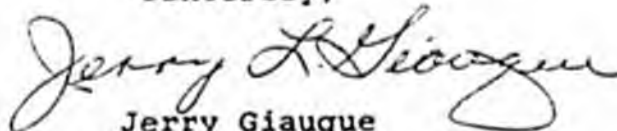
Dear Ms. Brady:

On behalf of the Alaska Farmers & Stockgrowers Association, I would like to congratulate you as our new Commissioner of DNR. We are pleased to have someone with your background and experience.

In talking to Governor Cowper and our correspondence with him before and after his election, we have stressed the vital importance of having a strong agricultural person as the Director of Agriculture. At our annual meeting held in early November, our Association voted their individual preference for this strong agricultural person and sent to the Governor two names: Mr. Mark Weaver who received 75% of the total vote and Mr. Pete Probasco who received 50%.

I am looking forward to meeting with you in the near future and please feel free to call on me any time I can be of assistance to you and your staff.

Sincerely,



Jerry Giauque
President

JG/pr



National Bank of Alaska

Fairbanks Office: Pouch 1000 • Fairbanks, Alaska 99707-9990 • (907) 452-4733

August 26, 1984

Mr. Don Kratzer
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Nenana, Alaska 99760

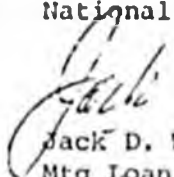
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Very truly yours
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February 20, 1985

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We will only finance amounts on real estate that an individual has fee simple ownership to and can present a clear title of ownership to the property.

Sincerely,

W.K. Dutton-Manager

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED IN ACCORDANCE WITH AS 24.08.035 (see below) **

1/19/87 DATE TURNED INTO OFFICE

Mr. President:

RESOURCES Committee considered SB 23

relating to agricultural rights to land.

and recommended:

- [x] replace with CS SB 23 (Res) [x] same title [] attached amendment(s) and [] new title [x] do pass [] do not pass [] no recommendation [] individual recommendations [] further referral to [] letter of intent adopted and attached

** Committee [x] attached or [] adopted fiscal note(s) [] zero [x] fiscal impact

MEMBERS SIGNING DO PASS

Handwritten signatures of committee members under the 'MEMBERS SIGNING DO PASS' header.

OTHER RECOMMENDATIONS

Blank lines for other recommendations under the 'OTHER RECOMMENDATIONS' header.

Handwritten signature and 'DO PASS' recommendation of the Chairman.

Chairman signature and recommendation

[] Committee Backup Attached

DEPARTMENT OF NATURAL RESOURCES'
RECOMMENDED REVISIONS TO
SENATE BILL 23
April 2, 1987

File
85
23

* Section 1. AS 38.05.059 is repealed and reenacted to read:

Sec. 38.05.059. LIMITATIONS AND CONDITIONS ON SALE OF AGRICULTURAL LAND. (a) [A PERSON MAY PURCHASE FROM THE STATE A TOTAL OF NOT MORE THAN ONE PARCEL OF LAND THAT IS PART OF AN AGRICULTURAL DEVELOPMENT PROJECT UNDER AS 44.37.475 DURING ANY EIGHT-YEAR PERIOD.]

(b) In a sale of state land classified as agricultural land the use of the land shall be restricted as provided under this section. The commissioner shall convey a fee simple conditional title to the surface estate subject to a condition subsequent that the land be used only for agricultural purposes. The commissioner shall reserve a right of reentry after notice and an opportunity for a hearing if the land is used for other than agricultural purposes. A reversion of title upon reentry does not affect the validity of a prior lien or security interest on the land.

(c) As a condition to the issuance of a contract of sale of state land classified as agricultural land, the commissioner may require a farm development agreement and the submission of a conservation plan that establish reasonable requirements based on economic feasibility of development and sound agricultural principles.

(d) A person purchasing land from the state under (b) - (c) of this section, or a purchaser's successor in interest, may request that the commissioner modify conditions imposed in the purchase, except that the commissioner may not modify conditions of the fee simple conditional title conveyed by the purchase. In deciding whether to modify conditions imposed in the purchase, the commissioner must find that the modification is in the public interest and that the modification is necessary

(1) to rectify a mistake of fact that existed at the time the contract for purchase was entered into;

(2) to alleviate a substantial hardship not foreseeable by either party at the time the contract to purchase was entered into; or

(3) to alleviate a financial burden that is substantial, if the modification requires the expenditure of an amount of money or effort comparable to that originally required and in a specific manner designed to more efficiently benefit agricultural development in the state.

(e) An application to modify conditions imposed in the purchase and submitted under (d) of this section must make a clear and convincing showing that the modification is warranted under (d)(1), (2), or (3) of this section. A person granted a modification under (d)(3) of this section is ineligible for another modification under that section for a period of five years from the date of the modification.

(f) The commissioner may not convey title under (b) of this section to a person who has not complied with a farm development agreement or conservation plan required, or as modified under (d) of this section, by the commissioner.

(g) In this section, "agricultural purposes" includes farming, ranching, grazing, and storage or control of agricultural crops or livestock, and the construction of the farm residence of the grantee as well as other buildings commonly needed for agricultural purposes on not more than 20 acres of the land transferred under this section.

~~*S.B. 23 AS 38.05.020(b)(7) is repealed.~~

WE THE UNDERSIGNED FARMERS AT POINT
MACKENZIE DO HEREBY STATE THAT WE
SUPPORT THE HEREINAFORE VERSION OF SB 23

Erwanda Cade Smith * 116
Robert L. Thom Parcel 15 Pt Mac.
Mildred E. Taylor Tract 17
M. Ann M.H. Tract 20 ~~124~~
Daisy Stromberg Tract 124
C.W. Goodrich Tract 29
Charles Jerome Camp * 124
Ray Henderson 101
Harry Massick tract 8
M.H. Agnes Tract 127
Bud Johnson Tract 5
Kara Ann Tracts 30+31

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version : SB 23

Publish Date : _____

Revision Date: April 1, 1987

Title: Agricultural Rights to Land

Agency Affected: Natural Resources

BRU: Land and Water Public Use

Agriculture

Sponsor: Senator Coghill

Requestor: Senate Resources

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		97.1	97.1	97.1		
TRAVEL		16.0	16.0	16.0		
CONTRACTUAL		18.0	18.0	18.0		
SUPPLIES		5.0	5.0	5.0		
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		136.1	136.1	136.1		

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		136.1	136.1	136.1		
FEDERAL FUNDS						
OTHER						
TOTAL		136.1	136.1	136.1		

POSITIONS:

FULL-TIME		2	2	2		
PART-TIME		1	1	1		
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol J. Wilson Phone: -2400

Division: Commissioner's Office Date: 4/1/87

Approved by Commissioner: Sennei Boston Gorman Date: 4/2/87

Agency: Natural Resources

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

CONTINUATION OF FISCAL NOTE ANALYSIS

FOR BILL/RESOLUTION NO. SB 23

- 100 - 1 Natural Resource Manager I, Range 18A, \$49.9 per year for 3 years. (Division of Agriculture, Palmer)
- 1 Clerk Typist II, Range 7A, \$13.1 per 6 months for 3 years. (Division of Agriculture, Palmer)
- 1 Natural Resource Technician II, Range 12A, \$34.1 per year for 3 years. (Division of Land and Water Management)
- 200 - Field travel by Division of Agriculture staff to inspect parcels throughout the state (from Fairbanks to Gustavus).
- 300 - Aerial photography, field measuring, soil surveys and appraisals.
- 400 - Mapping supplies, field equipment and office supplies.

Of the approximately 400 parcels that are currently covered by agricultural contracts, an estimated 300 parcel owners may request contract modifications. The Division of Land and Water Management position would be responsible for accepting contract change requests and would prepare and process necessary forms and papers. The Division of Agriculture positions would evaluate contract change requests and perform field inspections and surveys, as necessary, to determine the acceptability of proposed changes.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____
 Revision Date: 5/14/87
 Title: Agricultural Rights to Land
 Sponsor: Senator Coqhill
 Requestor Senate Finance

Bill Version: CSSB 23(Resources)
 Publish Date: _____

Agency Affected: Natural Resources
 BRU: Agriculture
Land & Water Public Use
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Applications for contract changes will be processed as existing staff is available. The burden of gathering information to provide clear and convincing evidence that a contract modification is justified will primarily fall to the applicant. Parcel inspections and other field work will be performed as staff and travel funds are available.

Prepared by: Carol Wilson
 Division: Commissioner's Office

Phone: 465-2400
 Date: 5/14/87

Approved by Commissioner: *Lennie Gosnell*
 Agency: Natural Resources

Date: 5-14-87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Original sponsor: Coghill

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 23 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to agricultural rights to land."

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

8 * Section 1. AS 38.05.059 is repealed and reenacted to read:

9 Sec. 38.05.059. LIMITATIONS AND CONDITIONS ON SALE OR LEASE OF
10 AGRICULTURAL LAND. (a) In a sale of state land classified as agri-
11 cultural land, the use of the land shall be restricted as provided
12 under this section. The commissioner shall convey a fee simple condi-
13 tional title to the surface estate subject to a condition subsequent
14 that the land be used only for agricultural purposes. The commis-
15 sioner shall reserve a right of reentry after notice and an oppor-
16 tunity for a hearing if the land is used for other than agricultural
17 purposes. A reversion of title upon reentry does not affect the
18 validity of a prior lien or security interest on the land.

19 (b) As a condition to the issuance of a lease or a contract of
20 sale of state land classified as agricultural land, the commissioner
21 may require a farm development agreement and the submission of a
22 conservation plan that establish reasonable requirements based on
23 economic feasibility of development and sound agricultural principles.

24 (c) A person purchasing land from the state under (a) - (b) of
25 this section and the successor in interest of a purchaser may request
26 the commissioner to modify conditions imposed in the purchase, except
27 that the commissioner may not modify the fee simple conditional title
28 conveyed by the purchase. The commissioner may not modify a condition
29 imposed in the purchase unless the commissioner determines that the

1 modification is in the public interest and is necessary to

2 (1) rectify a mistake of fact that existed at the time the
3 contract for purchase was entered into;

4 (2) alleviate a substantial hardship not foreseeable by
5 either party at the time the contract to purchase was entered into; or

6 (3) alleviate a financial burden that is substantial, if
7 the modification requires the expenditure of an amount of money or
8 effort

9 (A) comparable to that originally required; and

10 (B) in a specific manner that will more efficiently
11 benefit agricultural development in the state.

12 (d) An application under (c) of this section to modify a condi-
13 tion imposed in the purchase must show by clear and convincing evi-
14 dence that the modification is justified under (c)(1), (2), or (3) of
15 this section. A person granted a modification under (c)(3) of this
16 section may not receive another modification under that paragraph for
17 a period of five years from the date of the modification.

18 (e) The commissioner may not convey title under (a) of this
19 section to a person who has not complied with a farm development
20 agreement or conservation plan, including a modification of an agree-
21 ment or plan, as required by the commissioner.

22 (f) In this section, "agricultural purposes" includes farming,
23 ranching, grazing, and storage or control of agricultural crops or
24 livestock, and the construction of the farm residence of the grantee
25 as well as other buildings commonly needed for agricultural purposes
26 on not more than 20 acres of the land transferred under this section.

27 * Sec. 2. AS 38.05.020(b)(7) is repealed.

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 465-4921

Box 55028
North Pole, Alaska 99705
(907) 488-0862



APRIL 3, 1987

MEMORANDUM

TO: MEMBERS OF THE SENATE RESOURCES COMMITTEE

FROM: SENATOR COGHILL

RE: SB 23, "AN ACT RELATING TO AGRICULTURAL RIGHTS TO LANDS."

SB 23, ALLOWS THE DEPARTMENT OF NATURAL RESOURCES TO CONVEY A FEE SIMPLE CONDITIONAL TITLE TO AGRICULTURAL LAND. THIS BILL WOULD PLACE THIS AUTHORITY IN STATUTE.

MY PHILOSOPHY ON THIS MEASURE PARALLELS MY COMMENTS ON THE FIVE-ACRE HOMESITE BILL. FARMERS SHOULD HAVE FEE SIMPLE TITLE TO THEIR LAND, WE CANNOT CONTINUE TO HAVE FARMERS TOTALLY DEPENDENT ON THE AGRICULTURAL REVOLVING LOAN FUND FOR THEIR FINANCIAL NEEDS. THIS BILL WOULD GIVE THEM AN OPPORTUNITY TO GO TO OTHER LENDING INSTITUTIONS.

SB 23 PROVIDES FOR A FEE SIMPLE TITLE WITH A CONDITION SUBSEQUENT, THE CONDITION BEING THAT THE LAND CAN ONLY BE USED FOR AGRICULTURAL PURPOSES. LENDING INSTITUTIONS ARE PRESENTLY UNDER THE IMPRESSION THAT THE "AG RIGHTS" LAND PATENT ONLY GIVES THE FARMER THE RIGHT TO USE THE LAND FOR AGRICULTURAL PURPOSES, BUT DOES NOT GIVE THE FARMER THE REST OF TITLE RIGHTS SUCH AS DEVISABILITY AND INHERITABILITY.

SECT. 1 (D) GIVES THE COMMISSIONER THE DISCRETION TO REMOVE THE CONDITION SUBSEQUENT ONLY ON AGREEMENT BETWEEN THE GRANTEE AND THE COMMISSIONER. THIS PROVISION IS NEEDED TO ALLOW FLEXIBILITY IN THE FUTURE. IF LAND IS NO LONGER ECONOMICALLY SUITABLE FOR AGRICULTURAL PURPOSES THE OWNER AND THE COMMISSIONER COULD REMOVE THE CONDITIONS.