

**HB**

**357**

# ALASKA STATE LEGISLATURE

**Co-Chair:**  
House Finance Committee

**Chair:**  
House Finance Subcommittees for;  
Department of Public Safety  
Department of Law

**Member:**  
Legislative Council  
Legislative Budget & Audit (alt)



**Session:**  
Alaska State Capitol, Rm 515  
Juneau, AK 99801-1182  
Phone: (907) 465-4958  
Fax: (907) 465-4928

**District:**  
600 E. Railroad Ave.  
Wasilla, AK 99654

## **BILL STOLTZE** STATE REPRESENTATIVE

Representative\_Bill\_Stoltze@legis.state.ak.us

### **HB 357**

#### **Alaska Railroad Non-Essential Land Sale**

*"An Act relating to the sale of land owned by the Alaska Railroad that is not needed for railroad purposes."*

To spur economic development throughout the state, House Bill 357 adds a fourth clause to the existing language governing how the Alaska Railroad Corporation may dispose of land. House Bill 357 will enable the railroad to sell land that is not needed for essential railroad purposes. This bill does not ask for any irresponsible disposal of land, as the sale must be initiated by the board of directors on two conditions. The first condition is that the land is not essential to railroad operations, and the second condition is that the sale is in the best interest of the state of Alaska.

As support has shown, current leaseholders are very unhappy with the inability to purchase their leased properties from the railroad. In general real estate dealings, private purchases are made in mutually beneficial sales. House Bill 357 encourages these sales after determination by the board of directors of the railroad looks at each sale with the overall benefit to the state of Alaska as the key driver. Not only will the private sector benefit from this addition to state law, the railroad will also have increased ability to make decisions regarding their overall real estate portfolio.

The sale and relationship of private and public lands are vital to the economic growth of the state of Alaska. I ask for your consideration and support of House Bill 357 to promote Alaskan growth through the diversification of land ownership, increasing the tax base of the state, and encouraging responsible development of Alaskan land.

DISTRICT 16

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KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 357  
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB357-CED-ARR-3-12-10 Dept. Affected: DCCED  
 Title: Alaska Railroad Corp. Land Sales RDU: \_\_\_\_\_  
 Component: Alaska Railroad Corporation  
 Sponsor: Rep. Stoltze  
 Requester: House Transportation Committee Component Number: \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

HB 357 would authorize the Alaska Railroad to sell land that is not needed for railroad purposes, subject to legislative approval and if the board finds that the sale of the land is in the best interest of the state. Current law already allows the railroad to propose the sale of rail land subject to legislative approval. The cost to sell rail land including appraisals, staff time, and other professional fees would likely be passed on to the buyer. We believe the real fiscal impact of selling the non-operating land we currently lease to third parties would result in the loss of a consistent, predictable annual revenue stream to ARRC. Railroad lease revenues provide a buffer against the vagaries of the Alaska economy. Throughout our history, we have experienced lean years in which railroad lease revenues have funded employee costs and capital budgets.

Prepared by: Wendy Lindskoog  
 Division: Vice President Corporate Affairs  
 Approved by: Emil Notti, Commissioner  
Commerce, Community and Economic Development

Phone 265-2498  
 Date/Time 3/12/10 12:00 AM  
 Date 3/15/2010

# ALASKA STATE LEGISLATURE

*Co-Chair:*  
House Finance Committee

*Chair:*  
House Finance Subcommittees for;  
Department of Public Safety  
Department of Law

*Member:*  
Legislative Council  
Legislative Budget & Audit



*Session:*  
Alaska State Capitol, Rm 515  
Juneau, AK 99801-1182  
Phone: (907) 465-4958  
Fax: (907) 465-4928

*District:*  
600 E. Railroad Ave.  
Wasilla, AK 99654

**BILL STOLTZE**  
STATE REPRESENTATIVE  
Representative\_Bill\_Stoltze@legis.state.ak.us

## MEMORANDUM

TO: Representative Peggy Wilson, Chair  
House Transportation Committee

FROM: Bill Stoltze

DATE: March 22, 2010

SUBJECT: Committee Follow-Up  
House Bill 357

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In the first hearing on House Bill 357 in House Transportation on Tuesday, March 16<sup>th</sup>, there were two requests for further information. These two questions were if land belonging to the Alaska Railroad is state land, and if there were any legality issues in offering a first right of refusal on state land.

The following excerpt is from the attached memo from Legal Services in regards to these two questions:

"...railroad land is state land. As state land, disposal is subject to procedures established by the legislature, which in this case, authorizes an offer of first refusal to a leaseholder."

If there are any further questions or concerns, please contact John Coan in my office.

DISTRICT 16

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# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 20, 2010

**SUBJECT:** Railroad land is state land  
(HB 357; Work Order No. 26-LS1356R)

**TO:** Representative Bill Stoltze  
Attn: John Coan

**FROM:** Donald M. Bullock Jr.  
Legislative Counsel

You asked whether land belonging to the Alaska Railroad Corporation is state land. You also asked whether there is any legal impediment to offering leaseholders the right of first refusal before land is offered for sale under AS 42.40.352(b). AS 42.40.352(b) would be enacted by sec. 2 of HB 357.

### Railroad land is state land

The Alaska Railroad Corporation (railroad) is a public corporation and is an instrumentality of the state in the Department of Commerce, Community, and Economic Development.<sup>1</sup> Two Alaska Supreme Court decisions recognize the land of two public corporations as state land, the public corporations being the railroad<sup>2</sup> and the University of Alaska.<sup>3</sup> In the railroad case, the Supreme Court determined that the disposal of railroad land was subject to art. VIII, sec. 10 of the state constitution,<sup>4</sup> which reads as follows:

**Public Notice.** No disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law.

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<sup>1</sup> AS 42.40.010.

<sup>2</sup> *Laverty v. Alaska Railroad Corp.*, 13 P.3d 725, 735 (Alaska 2000) (the railroad's intimate connections to the state ultimately make railroad lands "state lands" for the purposes of the public notice clause in art. VIII, sec. 10 of the state constitution).

<sup>3</sup> *Southeast Alaska Conservation Council and Tongass Conservation Society v. State of Alaska*, 202 P.3d 1162, 1171 (Alaska 2009) (statutory language treating University lands differently from other state land does not overcome the constitutionally based conclusion that University lands belong to the state).

<sup>4</sup> *Laverty, supra*.

The court's two decisions relating to the state ownership of land held by public corporations validated the opinion of the attorney general in 1985 with regard to the land of the railroad and the applicability of art. VIII of the state constitution.<sup>5</sup> The attorney general wrote:<sup>6</sup>

When all the provisions of article VIII are considered together, it is difficult to discern a constitutional distinction between lands owned by a public corporation created by the state and other state lands. Section 9, for example, authorizes the legislature to "provide for the sale or grant of state lands . . . ." No one would seriously argue that the legislature has no such authority over Alaska Railroad lands because they are not state lands. In fact, AS 46.40.285 of the Alaska Railroad Corporation Act requires prior legislative approval of any sale of the railroad's "entire interest in its lands." One must conclude, then, that the word "state" is used in broad, generic sense throughout article VIII. That is to say, the word does not refer simply to the state's executive branch and its various bureaucratic departments but rather refers to a political community of self-governing citizens. Given this interpretation, "state land," as used in article VIII, section 10, encompasses all lands held in common by the political community of Alaskan citizens rather than only those lands nominally held by one of the principle departments of the executive branch recognized by article III, section 22, of the Alaska Constitution. This, of course, includes lands held by the Alaska Railroad. The Alaska Railroad, after all, is a public corporation. It has a public nature and, in a deeper sense, is owned by the people of Alaska. See 18 C.J.S. Corporations § 18. This public nature, then, is enough to bring it within the scope of article VIII, section 10.

Based on the decisions of the Alaska Supreme Court regarding land held by the University of Alaska and the railroad, both public corporations, railroad land is state land.

#### **Offering the right of first refusal**

AS 42.40.352(b), in sec. 2 of HB 357, would require the railroad to, "provide notice to persons having a leasehold interest in the land proposed to be sold and offer the leaseholders the right of first refusal." The notice and offer may only be made after the railroad's board has concluded that the sale is in the best interest of the state.<sup>7</sup> The legislature must also approve the sale in advance.<sup>8</sup>

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<sup>5</sup> 1985 Alas. AG LEXIS 288, 1985-1 Op. (Inf.) Atty Gen. Alaska. 221.

<sup>6</sup> 1985 Alas. AG LEXIS 288, 5-6 (Alas. AG 1985) (footnotes omitted).

<sup>7</sup> AS 42.40.352(a)(2), that would be enacted by sec. 2 of the HB 357.

<sup>8</sup> AS 42.40.352(b)(3), that would be enacted by sec. 2 of the HB 357.

Article VIII, sec. 2, Constitution of the State of Alaska, requires the legislature to "provide for the utilization, development, and conservation of all natural resources belonging to the State, including and and waters, *for the maximum benefit of its people.*" The review by the board land the legislature before the sale takes place provides the opportunity for determining whether the sale satisfies the requirements in art. VIII, sec. 2.

Article VIII, sec. 9, Constitution of the State of Alaska addresses the sale and grant of state land:

SECTION 9. Sales and Grants. Subject to the provisions of this section, *the legislature may provide for the sale or grant of state lands, or interests therein, and establish sales procedures.* All sales or grants shall contain such reservations to the State of all resources as may be required by Congress or the State and shall provide for access to these resources. Reservation of access shall not unnecessarily impair the owners' use, prevent the control of trespass, or preclude compensation for damages.

[Emphasis added.] Although the procedure of offering first refusal to a lessee does not appear in other statutes providing for the sale of state land,<sup>9</sup> the enactment of HB 357 would provide the legislature's sales procedures for railroad land, as required by art. VIII, sec. 9.

In conclusion, railroad is state land. As state land, disposal is subject to procedures established by the legislature, which in this case, authorizes an offer of first refusal to a leaseholder.

If I may be of further assistance, please advise.

DMB:med  
10-051.med

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<sup>9</sup> Although offering the right of first refusal to a lessee before a sale of state land does not currently appear in the Alaska Statutes, AS 38.05.073(q) authorizes the commissioner of natural resources to offer the right of first refusal to a lessee for a new lease at the expiration of a recreational facilities development lease. AS 38.05.073(q) reads as follows:

The term of the lease may not exceed 55 years. At the expiration of the lease, the commissioner may offer the lessee a right of first refusal on a new lease under this section for the same land if the commissioner determines that leasing the land for an additional term serves the best interests of the state.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
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FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 24, 2010

**SUBJECT:** Use of money without an appropriation (CSHB 357(TRA))  
(Work Order No. 26-LS1356E)

**TO:** Representative Peggy Wilson  
Chair of the House Transportation Committee  
Attn: Becky Rooney

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

Enclosed is CSHB 357(TRA) that includes the changes you requested.

With regard to the deletion of the word "appropriated" on page 2, line 10, and the insertion of the word "used" in its place, is it the committee's intent that the money may be spent without an appropriation?

Under terms of the federal Alaska Railroad Transfer Act (P.L. 97-469, Title IV), the "revenues generated by the State-owned railroad shall be *retained and managed* by the State-owned railroad for railroad and related purposes." 45 U.S.C. 1207(a)(5); emphasis added. According to a section-by-section analysis of the Alaska Railroad Transfer Act that was prepared at the time Congress passed the Act, this provision was intended to allow the railroad to "retain and manage its [sic] own revenues" and to "avoid the need for annual appropriations by the State for the railroad." Congressional Record, December 23, 1982, S16080. The apparent intent of Congress was that the revenues of the railroad be dedicated for railroad and related purposes and that the railroad have the discretion to determine how to use its revenues without having the legislature approve the use and expenditure of those revenues by an appropriation. This provision constitutes a federally mandated dedicated fund requiring that railroad revenues be retained by the railroad and used only for railroad and related purposes. 1984 Inf. Alaska Att'y Gen. Op., May 26 (366-575-84). However, this provision does not prevent the legislature from appropriating railroad revenue for railroad purposes or mandating that the railroad expend its revenue for a legislatively prescribed railroad or related purpose. *Id.*

Although there have been unsuccessful efforts to amend the Executive Budget Act to make it applicable to the Alaska Railroad Corporation, art. IX, sec. 13, Constitution of the State of Alaska prohibits the withdrawal of money from the treasury except in accordance with appropriations made by law. Thus, although the money from the land sales contemplated in CSHB 357(TRA) may be dedicated under 45 U.S.C. 1207(a)(5),

Representative Peggy Wilson

March 24, 2010

Page 2

whether it may be spent without an appropriation is a question that has not been answered by the courts.

DMB:plm  
10-171.plm

Enclosure



# Alaska State Legislature

Representative Peggy Wilson  
House District 2  
Putting Alaska's Families First

## FAX TRANSMITTAL SHEET

TO: LegLegal FAX# 2029

DATE: 3-23-10 FROM: Becky Rooney 3759

SUBJECT: Amendments to HB 357 VerR

Total Pages (including cover sheet) 1

HB 357 VerR passed out of HTRA Committee today with 3 amendments

#1 Page 1 line 10 and 12 Remove "essential"

#2 Page 1 line 1 replace "needed" with "necessary"

#3 Page 2 line 10 replace "appropriated" with "used"

*This transmittal may be a confidential communication or otherwise privileged information. If you are not the intended recipient, you are hereby notified that you have received this transmittal in error; any review, dissemination, distribution or copying of this transmittal is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone at (907) 465-3824. Please destroy this fax cover and all its attachments.*



Joe Ewald  
President

March 15, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, Room 406  
Juneau, AK 99801  
Sent Via Fax 907-465-3175

Regarding HB 357 -- Sale of Alaska Railroad Land

Madam Chair Wilson,

I write today in support of HB357 as an individual, as a bank president and as someone with prior experience as an officer in a State entity that benefits significantly from sale of non-essential real property.

While individuals and enterprises may invest in leasehold estate property, and banks may take assignments of leasehold for security, such development or lending usually results in less than the highest and best use of the property or results in less long term care of or maximum improvement to the property. Given a choice at market rents, investors and lenders will usually choose to develop land that is owned outright or 'fee simple.' Such greater 'real' improvements tend to increase production, employment, tax revenues and 'quiet enjoyment' by the successor owner.

Typical prudent investors that own real estate will analyze the potential appreciation of the real property and then compare and contrast the potential leasehold earnings against a permanent financial investment for a prudent long-term hold. If the land would not appreciate at 5-8% compounded and a permanent investment could foreseeable exceed that return, and the property is non-essential to the owner, it is quantitatively prudent to convert the long term hold asset into long term investment for greater gain to the owner (State/Alaska Railroad). Exchanging one long term asset for another long term asset of greater flexibility and potential financial leverage is considered a prudent and beneficial decision.

During my service as VP Finance at the University of Alaska, a land grant university, I watched and prudently oversaw the sale of non-essential/non-educational land and the conversion of cash proceeds into the UA Land Grant trust fund wherein the principal was inflation protected and the earnings, subject to legislative appropriation and regent/trustee dedication, were used to advance the needs of the university. The land was typically developed for constructive use, which added to production, employment and 'quiet enjoyment' while improving the local tax base in the local municipality.

In summary, I believe that affording the Alaska Railroad this flexible mechanism will benefit all stakeholders and I encourage your support and passage of the legislation.

Sincerely,

Joe Ewald, President

101 C Street, PO Box 2000  
Juneau, Alaska 99801-0200  
907-586-1100  
Fax: 907-586-1101



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PHONE (907)277-7473 FAX(907)277-9565 E-mail: jerryhendriks@pspc.com

March 15, 2010

Honorable Peggy Wilson, Chairwoman  
Alaska State House of Representatives  
Transportation committee  
State Capitol  
Juneau, Alaska 99801

Dear Chairwoman Wilson,

I am writing in support of House Bill 357, which would allow the sale or disposition of the non-essential railroad lands. I believe that the passage of this legislation has merit on several levels:

1. As a tax payer of lands owned in the MOA, I would like to see more land become privately owned, less Federal and State owned land.
2. As a land owner on the South side of Ship Creek, We have improved the land we own and thereby pay additional taxes to the local government.
3. If I were a lease holder on the North side of Ship Creek, I would have little incentive to improve the property, as it not only increases my taxes, but greatly increases my lease expense. The end result is the properties on the South side of Ship Creek are newer and in better condition than those properties on the North side of Ship Creek.
4. Increased investment in private lands leads to a healthier private industry, thereby creating additional jobs in a prime Anchorage industrial area. Many of the buildings on the North side need to be replaced or remodeled. Ownership of the land would allow the owner to make this investment, without the negative impact of increased lease rates.
5. Please consider supporting HB 357. The entire Alaska Exin Exin will appreciate your committee's favorable consideration of this important House bill.

Jerry Hendriks

Vice President Alaska Operations

ALASKA PIPE AND SUPPLY COMPANY  
CORPORATE HEADQUARTERS  
2120 SPAR AVENUE, ANCHORAGE, ALASKA 99501

Date: March 10, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, 4th Floor  
Juneau, AK 99801  
Fax:: 907-465-3175

Dear Chair Wilson,

I am writing in opposition of House Bill 357, which is currently in your committee. As a Real Estate professional I can see why business owners may wish to own rather than lease. As a resident of the State of Alaska I don't see the *"giving the railroad the authority to dispose of non-strategic land within their real estate portfolio creates the logical first step of putting more government-owned lands in the private sector,"* is in Mine or the States best interest.

I am closely aware that the Real Estate department of the Alaska Railroad, operates for profit, and strives to get the highest rate of return, on value, for their owned real estate. Well managed long term leases will, and do provide a greater rate of return to me and the State than selling off performing asset, not to mention, selling those assets in a depressed real estate environment.

Any favorable vote on this bill will only serve the interests of a few business owners rather than the majority of residents of the State of Alaska.

This legislation does not represent good financial stewardship of mine and the States performing real estate assets.

Respectfully,

Mark S. Kulstad  
Commercial Real Estate Agent and Broker 907-223-8135

**Alaskan Wood Moulding Inc.  
1115 Whitney Rd.  
Anchorage AK 99501  
Ph: 907-563-9724, Fax: 907-563-9725**

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

Dear Chair Wilson,

I would like to urge your support of HB 357, which is currently under review by your committee. This legislation is important to Alaska businesses and would help diversify and strengthen the private sector.

As you know, the vast majority of land in Alaska is held by various public entities, which limits opportunities for the private sector. HB 357 is a reasonable vehicle for current land users to have the ability to purchase the property that they currently lease from the ARRC. The ability to own both the land and the improvements on these properties vastly increases the bottom line health of business and opens lines of credit that can be utilized to expand and grow. This legislation is a win/ win opportunity for the ARRC to continue to generate revenue from the proceeds of the proposed land sale while Alaskan businesses gain the financial leverage to continue to create jobs.

Respectfully,

Mark Stearns

**Alaskan Wood Moulding Inc.  
1115 Whitney Rd.  
Anchorage AK 99501  
Ph: 907-563-9724, Fax: 907-563-9725**

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

Dear Chair Wilson,

I am writing in support of House Bill 357. This bill is long overdue and if passed will have a positive impact on commerce, our economy and our local community's tax base(s). For the communities surrounding the rail belt, this legislation will probably be the largest positive impact on the economy and creation of jobs.

Alaska's economy is restricted because of the amount of land under government ownership and control. This legislation is a positive step in getting land from under government ownership into the hands of the private sector. With that will come greater investment and more jobs.

On a separate note, I saw on the news a legislative proposal that would charge the Alaska Railroad with the responsibility of developing a small diameter gas pipeline, often referred to by Alaskans as a bullet line. From my perspective, this is a terrible and short-sighted proposal that does not contemplate the railroad's ability to waste money. Their direct managerial involvement will almost certainly insure a tariff that would be unaffordable to most Alaskans.

In conclusion, I want to take this opportunity to extend my thanks and appreciation to Representative Stoltze who authored this bill. Without his business sense and leadership, we would most likely continue operating under the existing arcane structure of governmental ownership. Please support passage of HB 357.

Respectfully,



Mark Stearns

March 12, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, 4<sup>th</sup> Floor  
Juneau, AK 99801

Dear Representative Wilson,

I am writing in support of House Bill 357, it would allow private businesses and citizens to purchase government owned land.

Respectfully,

James Garvin

AT&S, Inc.  
Operations Manager  
Fairbanks Alaska

March 12, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, 4<sup>th</sup> Floor  
Juneau, Alaska 99801

RE: HB 357

Dear Representative Wilson,

I recently learned about House Bill 357, and I am writing in support of this measure.

I work for a Fairbanks based company, that has been in business, since 1974, which is located on railroad-leased land. In fact, all the businesses around us, are located on Railroad-leased land. The land we are based on, is not used for railroad operations and Never will be.

This legislation would allow for the sale of these properties. In AT&S case and the others around us. This would be an asset, to the companies, to own the land there business is located on.

With your help, lets do the right thing and pass this bill.

Thank you,  
Randy Arendell  
AT&S Inc.  
1883 Fox Ave.  
Fairbanks, Alaska 99701

March 10, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska State House of Representatives  
State Capitol, Room 406  
Juneau AK 99801

Via fax: (907) 465-3175

RE: HB 357

Dear Chairwoman,

As a former leaseholder with the ARRC, I support this bill. My understanding is that when these lands were transferred to the State, the intention was that such lands would be sold to private parties. Under that belief, at least some former leaseholders that I have known expanded their facilities. Several years ago, a commission formed to research long-term plans for the State also recommended that these lands be sold.

Besides original intent, it is my belief that these lands are not developed to their potential because there is always the threat of ARRC takeover at the end of the lease. I realize this is standard leasehold practice, but the ARRC is statutorily prohibited from selling its land. This was enough incentive for me not to further improve my property.

The ability and flexibility to maximize these properties will be of benefit to the communities as well in expanding the revenue capacity of the lands and value of tax base.

Sincerely,



Mary W. Silvey  
PO Box 71350  
Fairbanks AK 99707

Cc: Bill Stoltze via fax: (907) 465-4928

Cc: Peter Macksey via email: pmacksey@steelfabak.com

HB357 re ARRC leases Mar 2009

RECEIVED

MAR 02 2010

February 25, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska State House of Transportation  
State Capitol, 4<sup>th</sup> Floor  
Juneau, Alaska 99801

Re: House Bill 357

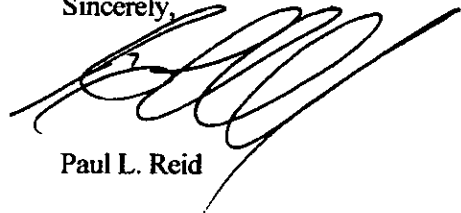
Dear Representative Wilson,

I am writing to you in support of House Bill 357. As an Alaska Railroad Leaseholder myself, I know first hand the difficulties and restraints associated with dealing with the railroad. While my lease, primarily because of its location, will probably not be one of the parcels of land ever put up for sale or disposition; nonetheless, as a businessman I know of many parcels that are not strategic to the railroad and where the community's commerce would likely improve substantially if these parcels were sold and in private hands. One of Alaska's biggest problems is that too much land is owned by the government, both federal and state.

Putting railroad lands that are not necessary to their operation or strategic purpose in the hands of the private sector would increase business Capital investment, thus creating more jobs and a stronger local tax base. I know of many leaseholders unwilling to further invest in their businesses because of the uncertainty of their leases and the perceived difficulties in dealing with the railroad and their real estate office.

Again, in the strongest terms possible, I urge swift passage of house bill 357. Furthermore, I would like to compliment Representative Bill Stoltze for having the business acumen and determination to address an important issue to the rail belt region and its commerce.

Sincerely,



Paul L. Reid

cc: Representative Bill Stoltze

sagaya  
corporation

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tel 907 563-0220 fax 907 563-0240

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March 1, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, Room 406  
Juneau, AK 99801

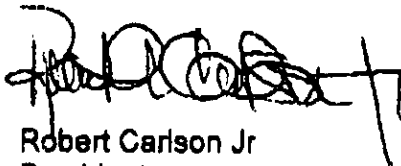
Dear Representative Wilson:

Your committee is in charge of reviewing House Bill 357, which deals with allowing the Alaska Railroad Corporation to dispose/sell non-essential real estate. This legislation warrants the body's attention and passage.

HB 357 is an astutely crafted vehicle that will allow the Railroad to sell land that is not essential to their transportation system. By doing so, the private sector will be able to more easily attract needed capital, and be insured that they have the freedom to direct, expand, and upgrade their businesses as they wish and receive full benefit of any capital improvements.

Passing this legislation is a commitment to economic development and belief in the private sector. Please support HB 357.

Sincerely,



Robert Carlson Jr  
President

ALASKA'S LEADING WHOLESALER OF BUILDING SPECIALTY MERCHANDISE

STATEWIDE DOOR & GLASS

221 East Ship Creek Avenue Anchorage, Alaska 99501  
Phone: (907) -562-2074 Fax: (907) -562-1803

3/2/2010

Page 1 of 2

Honorable Peggy Wilson  
Chairperson, Transportation Committee  
Alaska House of Representatives

Dear Representative Wilson,

My name is Mike Hammer. I am the owner of Statewide Door & Glass. I do commercial glass service and new installations for projects throughout Alaska. I currently employ 25 – employees year round. I purchased my current building in 1999. It sits on Railroad leased land, located on Ship Creek Avenue. This street was originally named Warehouse Avenue until about 10 years ago. The name of the street was changed by the Railroad Corporation to make it appear that the area was not used for industrial, manufacturing, or storage purposes. There are currently at least 10 – businesses on this street that still do this kind of work to make a living. They have all been here longer than me.

Over the past 10 – years, some businesses have had their leases expire. When this happens, the Railroad has refused to renew them. As a result, the owner is currently required to demolish the building and have the debris hauled off to the landfill at the owner's expense unless the Railroad wants the building. Then, they will waive the demo requirement and take over the building. I have been told that my lease will not be renewed if I continue to operate as a glass shop. By doing this, the Railroad will eventually own all of the buildings or get rid of them. The goal is to turn this area into a tourist shopping and retail area.

Page 2 of 2

The Railroad Corporation has allowed 3 – new buildings to be built since I have been here. The Comfort Inn Hotel, The Ulu Factory, and The Bridge Restaurant. They were allowed to be built because they fit into the future model of what the Railroad would like to see happen in this area. The problem is that this area is not attracting any investment as the Railroad Corporation expected.

The Bridge Restaurant went out of business two years ago. The building has been for sale ever since and is still empty. There is an empty lot next to mine that has been advertized as a great location for a new Condominium project. There has been no interest. The Ulu factory had to invest in a shuttle bus to get people from downtown to come see their store. There are many other empty lots for sale.

As I see it, the Alaska Railroad Corporation has become a real estate holding company who still likes to play with trains! The federal government GAVE this land to Alaska so it could be used for transportation and building infrastructure, not to build shopping malls and coffee stands for tourists that will sit empty eight months of the year.

I would like to be able to purchase the land that my building sits on. I would like to continue to employ people who live and work in Alaska all year long. Having to start over again in another building because my lease will not be renewed may put me out of business. Please do what you can to help myself and others in my position so that we can stay where we are and continue to employ Alaskans. Please support House Bill #357.

Sincerely,



Thomas Tonkin  
2005 Misty Meadows  
Anchorage, AK 99502

March 4, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

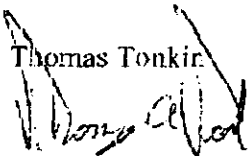
Dear Chair Wilson,

I would like to ask for your support of HB 357 that is currently under consideration in your committee. I have been employed by a company for the last sixteen years that leases property from the ARRC. My employer faces numerous uncertainties and challenges as do most small businessmen. As an example the ARRC has increased the land lease payment cost from \$780.00 per month in 2001 to \$2,990.00 per month currently. The current rate approaches an almost four fold increase in just 9 years. These dramatic increases place strain on already stretched finances and reduce the available funds to expand the business and increase wages.

From my reading of this legislation it seems like an excellent opportunity to place privately used property into the ownership of those entities that use and occupy these properties. The ARRC will still receive an income stream from the investment income from the proceeds of the sale and the users will reap the benefits and predictability of land ownership. This appears to be a situation that benefits both the private sector as well as the public interest.

Thank you for your consideration,

Thomas Tonkin



February 23, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska State House of Transportation  
State Capitol, 4<sup>th</sup> Floor  
Juneau, Alaska 99801

Re: House Bill 357

Dear Representative Wilson,

I am writing to you in support of House Bill 357. As an Alaska Railroad Leaseholder myself, I know first hand the difficulties and restraints associated with dealing with the railroad. While my lease, primarily because of its location, will probably not be one of the parcels of land ever put up for sale or disposition; nonetheless, as a businessman I know of many parcels that are not strategic to the railroad and where the community's commerce would likely improve substantially if these parcels were sold and in private hands. One of Alaska's biggest problems is that too much land is owned by the government, both federal and state.

Putting railroad lands that are not necessary to their operation or strategic purpose in the hands of the private sector would increase business Capital investment, thus creating more jobs and a stronger local tax base. I know of many leaseholders unwilling to further invest in their businesses because of the uncertainty of their leases and the perceived difficulties in dealing with the railroad and their real estate office.

Again, in the strongest terms possible, I urge swift passage of house bill 357. Furthermore, I would like to compliment Representative Bill Stoltze for having the business acumen and determination to address an important issue to the rail belt region and its commerce.

Sincerely,



Paul L. Reid

cc: Representative Bill Stoltze

Sagaya  
corporation

2525 blueberry road suite 106 anchorage, alaska 99503  
tel 907 563-0220 fax 907 563-0240

February 25, 2010



2132 RAILROAD AVENUE  
ANCHORAGE, AK 99501  
FAX 907 276-3448  
TEL 907 276-4100

Honorable Peggy Wilson, Chairwoman  
House Transportation Committee  
Alaska State House of Representatives  
Juneau, AK 99801

Dear Chairwoman Wilson,

I am writing to ask you to give HB 357 your committee's fullest deliberation. It is a bill that will right a major inequity for my business and for many other businesses in Alaska's Rail Belt.

Currently we have to make and pay for many capital and property improvements, ourselves. (We were required to pay for a new water line on property we did not own.) We "inherited" our lease when we bought this business, over 25 years ago. The lease has proved to be the only regret I have about owning this business. It is a bitter pill to know that while you are improving your business to the highest standards, that those improvements may end up belonging to another owner.

Alaska depends on private enterprise to keep building new jobs more than any other segment of our economy. This is especially important during these tough economic times. A business that could have the opportunity of owning its land would also have the confidence to make additional capital improvements and expansions. This will provide huge benefits to local communities.

Rather than continuing to lock up more land from private ownership, let a crack of light and hope shine down on the many businesses who struggle daily to be competitive. After all, it was set out in the original Federal transfer of lands as a fair and equitable procedure. The Alaska Railroad Corp. has done nothing but drag its heels on this process, and I think HB 357 will give everyone the green light to proceed with a process that should have started 20 years ago. I really believe HB 357 is a fair and equal way to start this important adjustment.

Sincerely,

A handwritten signature in cursive script that reads 'Janet Faulkner'. The signature is fluid and extends across the width of the text area.

Janet Faulkner  
Vice President



2132 RAILROAD AVENUE  
ANCHORAGE, ALASKA 99501  
FAX 907 276-3448  
TEL 907 276-4000

February 25, 2010

Honorable Peggy Wilson, Chairwoman  
House Transportation Committee  
Alaska State House of Representatives  
Juneau, AK 99801

Dear Representative Wilson,

Here's the key to the simplicity of HB 357: it just starts the process that was set-up over 25 years ago when the Federal government transferred ownership to Alaska. Part of that Federal transfer specified that state-owned, non-operational railroad lands could be purchased at fair market value after 10 years. HB 357 just specifies that it's alright to begin the process.

HB 357 will allow business owners like me, who has leased state land through the Alaska Railroad Corporation, the opportunity to purchase land that I have improved upon for over 25 years (I have made over \$8 million in capital improvements to my business site). I have paid taxes on this land, too, even though I do not own the land. I have done this in order to build my steel fabricating business to be the top steel fabricator in Alaska, with the largest capacity and capabilities in the state. The reason I want to make sure that other Alaska industries can get their steel needs met in Alaska, without going outside the state.

Under current lease conditions, if I would close or move my business, all the capital improvements would belong to the ARRC. Frankly, I have always found this very bothersome. I look around me, at other leaseholders, and I am sure that if they were able to own the land they are sitting on that they would make major improvements, which would equate to higher property values, greater civic pride and beautification, and a stronger tax base for Rail Belt communities.

Help us eliminate serfdom from the Rail Belt. Please give HB 357 your most earnest consideration, Representative Wilson. HB 357 is a simple bill crafted to treat leaseholders who desire to buy their property as equally as those who wish to continue to lease. Private property owners in Alaska are a rare breed: only 2 percent of Alaska land is in private ownership. Please give us a chance to help remedy this inequality.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Faulkner', followed by a horizontal line.

Richard Faulkner  
President



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March 2, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capital, 4<sup>th</sup> Floor  
Juneau, Ak 99801

RE: HB 357

Dear Representative Wilson,

We recently learned about House Bill 357 and we are writing in support of this measure.

We have leased our property from the Alaska Railroad since 1965. We would not even consider doing any improvements due to the uncertainties of our lease. There has only been one new business on our street within the last 10 years and it failed. There are many lots available but no one wants to develop them because of the lease agreement. The railroad does not use or need these lots for railroad purposes. It is a shame to have properties sitting vacant and leased land buildings needing repair. The lands have become an eyesore to the community.

House Bill 357 would allow the sale of these properties. This would allow development of the lands which would be beneficial to everyone.

We would appreciate your support of this bill. If you have any questions, please email me at [kiperham@gci.net](mailto:kiperham@gci.net).

Thank you,

ALASKA FLOR-WALL, INC.

Karen A. Paulson Perham  
President

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3/2/2010

Honorable Peggy Wilson, Chairwoman

Alaska State House of Representatives

Transportation Committee

Juneau, AK 99801

Dear Chairwoman Wilson,

I sincerely request the support and endorsement of HB 357. This bill deals with the sale and the redistribution of ownership of unessential railroad land.

This legislation, if passed, would allow the railroad to sell lands that are in surplus to their transportation operations. This in turn would allow the businesses and other interested parties to procure the land that they already have financial interests and investments in. By doing so, the Railroad would not be infringing upon the directives of their board, or the welfare of the public. If the private entrepreneurs/corporations are allowed to own the land that they have established their respective enterprises on, they are thus more likely to further invest in said enterprises and strengthen our local community by remaining where they are. Investments will then lead to more jobs and revenue for the community/state as well.

Nearly all the land in the state of Alaska is government owned (just about 98%). By allowing the railroad to sell the extra land to these business owners, it would grant the private business sector more strength and revenue.

Please consider this bill and all that I have stated as it is crucial for the development and prosperity of the private business sector as well as the continuing stability of our local communities.

Sincerely,

Brandon Wallace



ALASKA'S LEADING WHOLESALER OF BUILDING SPECIALTY MERCHANDISE

Bohuslav Fiala  
167 Ocean Park Dr.  
Anchorage, AK 99515

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

Dear Chair Wilson,

I am writing to ask your support of HB 357 currently under consideration in your committee. This bill, if enacted, will have a positive impact on Alaska's economic future by securing the economic future of current ARRC leaseholders.

This legislation will give the railroad the authority to sell their non-strategic land within their real estate portfolio and puts public lands into private ownership. This will significantly increase economic climate for more investment, create new jobs and ensure existing ones, and expand the local tax base all along the rail belt.

This legislation does all this and is revenue neutral. The railroad will continue the revenue stream that it currently enjoys while businesses can secure their future through land ownership. This legislation is pro business, pro jobs and pro private sector business and it allows the ARRC to concentrate on their primary mission of operating our railroad.

Respectively,

  
Bohuslav Fiala

Cc: Honorable Bill Stoltze

Erik Brubaker  
P.O. Box 876432  
Wasilla, AK 99587

March 3, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

Dear Chair Wilson,

House Bill 357 that has been introduced by Rep. Stoltze, would support private sector businesses that are currently lease holders with the ARRC. As you are aware a large proportion of land in Alaska is held by the public including those lands that are leased by the Railroad to businesses along the rail belt region. Most railroad leased land has no direct impact on the day to day operational activities of the Railroad. The Railroad by virtue of these leases exerts control and creates uncertainty for the long term health of the leaseholders. This legislation if enacted, would provide the leaseholders a secure future and give them the flexibility to invest for the future. It also allows the Railroad continued revenue for their train operations and lets them focus on their primary reason for existence.

Respectfully,



Erik Brubaker

cc: Honorable Bill Stoltze

Ken McCarty  
11441 Lower Sunny Cr.  
Eagle River, AK 99577

March 2, 2010

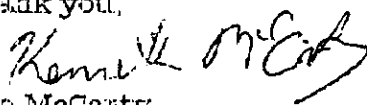
Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

RE: HOUSE BILL 357

Dear Chair Wilson,

Please actively support HB 357 as this will be tangible and visible support of small business interests in Alaska. This legislation will help put public lands into private ownership and will lead to increased investment and job growth. This will allow the ARRC to concentrate on their primary activity and still maintain the revenue stream that they currently have from their real estate operations. It also is revenue neutral which is probably a rare situation in these economic times. This seems like a situation where both parties benefit and I strongly urge you to give it the attention that it deserves.

Thank you,

  
Ken McCarty

Cc: Honorable Bill Stoltze



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March 3, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
Alaska House of Representatives  
State Capitol, Room 406  
Juneau, AK 99801

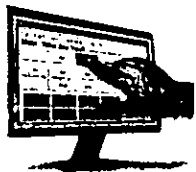
RE: HOUSE BILL 357

Dear Chair Wilson,

Please support HB 357 currently in your committee. This legislation will help Alaskan businesses by placing public lands into private use. Alaska has more public lands than any other state and this legislation will allow these lands to generate tax revenue and strengthen the bottom line of the private sector. This legislation is the type of real and tangible support that the State can provide to help diversify the economy. This legislation is one that provides benefits without harming the ARRC. The Rail Road will continue to receive revenue from the invested proceeds of these land sales and it puts the land into private hands for the benefit of Alaskans.

Thank you for your consideration,

Marguerite C Kremer



Timekeeping  
made ATM-simple  
3663

**Pamalyn Duvall**

---

**From:** Mark Sprano [marksprano@gmail.com]  
**Sent:** Wednesday, March 03, 2010 3:27 PM  
**To:** Pamalyn Duvall  
**Cc:** ashleyreed@gci.net; rfaulkner@steelfabak.com  
**Subject:** House Bill 357

Date March 1, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, 4th Floor  
Juneau, AK 99801

Dear Chair Wilson,

I am writing in support of House Bill 357, which is currently in your committee. I believe this legislation deserves the attention and support of the legislature because of its positive implications for the economy of our state.

First and foremost, giving the railroad the authority to dispose of non-strategic land within their real estate portfolio creates the logical first step of putting more government-owned lands in the private sector. By doing so, you will significantly increase the economic climate for more investment, create new and more jobs, and expand the local tax base of our communities along the railbelt.

A move like this will allow the RR to make sound and rationale decisions about their real estate portfolio for the betterment of their operations as well as for their communities and leaseholders.

This legislation is pro-business, pro-jobs, pro-private sector and deserves the attention and passage of

the Alaska State Legislature. Thank you for your consideration.

Regards

Mark Sprano

--  
Mark Sprano

Alaska Marble & Granite Inc.  
1115 Whitney Rd.  
Anchorage Alaska 99501  
907 277-7625



BKC Alaska LLC  
124 E 3rd Avenue Ste 211  
Anchorage, AK 99501  
Phone 907.222.1800  
Fax 907.222.1802

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March 3, 2010

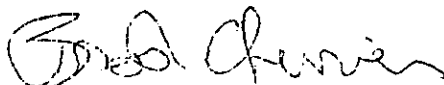
Honorable Peggy Wilson, Chairwoman  
Alaska State House of Representatives  
Transportation committee  
State Capitol  
Juneau, AK 99801

Dear Chairwoman Wilson:

I urge your endorsement and support of HB 357, Our family has leased a small parcel of railroad land since the late 50's. On many occasions over the years we have tried unsuccessfully to purchase this parcel. We operate a small business and could never justify the improvements we need as we do not own the land.

More recently the Municipality of Anchorage in conjunction with railroad officials has forced the railroad lease holders to pay property taxes on land that they do not own. We are in full support of this legislation and hope it will pass during the current session.

Thank you for your support,



Brad Cherrier

6 March, 2010

Hon. Peggy Wilson  
Chair, House Transportation Committee  
State Capital, Room 406  
Juneau, Alaska 99801

Dear Representative Wilson;

I am writing in support of House Bill 357, which would allow the sale or disposition of non essential railroad lands. I give these reasons for this solution:

There is a lot of land controlled by the Alaska Railroad. The State land on Commercial Drive was sold to tenants years ago.

It would probably lead to larger operations being located in the Railroad area.

I have leased from the Alaska Railroad since the end of 1975. In the last few years, the City of Anchorage has been charging taxes on the value of the Alaska Railroad leases. Nobody seems to know if the lease value is reduced as the years left on the lease are reduced. As my lease has left time remaining, the taxes have gone up considerably.

I think if the property was owned by companies or individuals, tenants would be in a better position to expand, get loans, etc. The Railroad has a lot of fine people working there, and I don't have anything against anyone.

Thanks for your efforts,

Sincerely,  
*Harvey Dougherty*  
Harvey Dougherty  
Alaska Crate & Pallet  
3405 Vassar Drive  
Anchorage, Alaska 99508

Frank H. Murkowski, Governor

# Alaska Department of Community and Economic Development

## Division of Community Advocacy

550 W. 7th Avenue, Suite 1770, Anchorage, AK 99501-3510

Telephone: (907) 269-4501 • Fax: (907) 269-4539 • Text Telephone: (907) 465-5437

Email: questions@dced.state.ak.us • Website: www.dced.state.ak.us/cbd/

August 25, 2004

Mr. Marty McGee, Assessor  
Property Appraisal Division  
Municipality of Anchorage  
P.O. Box 196650  
Anchorage, AK 99519-6650

20% leased  
600 acres  
in Anchorage  
10% - FEKS

Dear Mr. McGee,

The purpose of this letter is to advise you of my position on the manner in which the Municipality of Anchorage (MOA) assesses property used by and leased by taxable entities, while owned by an exempt entity. The methodology used by the MOA does not capture the entire value that exists for these "leasehold interest." The assessment community in this state refers to these interests as "possessory interests." These interests are assessable by authority granted by Article IX, Section 5 of the Constitution of the State of Alaska and AS 29.45.030(a)(1)(A).

There are two methods used to value these interests, the "rent savings" and the "reversionary" methods. The MOA uses a mix of the two methods while the rest of the state uses only the reversionary method. The mix of methods used by the MOA fails to capture any value for certain leases and under-values the taxable interests of many other leases.

In the latest Alaska Supreme Court decision on possessory interest, *FNSB v. Golden Heart Utilities*, (13 P3d 263- Alaska, 2000), the appellant, GHU, attempted to persuade the court into accepting the rent savings method of valuing leasehold interests as opposed to the reversionary method used by the assessor. The court rejected GHU's argument and reiterated its position in *North Star Alaska Housing* stating, "...we rejected that argument and concluded that it was appropriate to value the leasehold based on the land's market value, as if it were owned (by the leaseholder), minus an adjustment based on the fact that [the leaseholder's] interest is only for a [fixed] term.." The court also noted that they again approved this valuation method (reversionary methodology) in their decision in *Cool Homes v. Fairbanks North Star Borough*.

The court went a long way to distinguish between the two methodologies but, in my opinion, stopped short of saying that the reversionary method was the only method that should be used to ascertain values for leasehold interests.

"Promoting a healthy economy and strong communities"

Mr. Marty McGee, Anchorage Assessor  
Possessory Interests  
August 25, 2004  
Page Two

However, the court's decision is convincing in stating that value of a leasehold interest should reflect a value for possession and use rather than a value for the leaseholders equity position in a lease (the rent savings method). While I know of no other methodology, aside from the reversionary method, that adequately and reasonably captures the value of the interest in the use of otherwise exempt property by a taxable entity, there certainly could be one. And based on that, it would be improper for me to state that the reversionary method is the only method available to your office to capture this value. However, it is clear to me that the current method used by your office does not always capture the leasehold interest value and as such may constitute a major error. I have been reluctant to issue a letter of major error to the MOA because of your failure to capture these values. However, over the last few years, I have added an estimate of these non-captured values to the MOA annual full value determination, which, as you know, is used to calculate the city's local contribution for education.

The MOA methodology for assessing possessory interests does not only undervalue some leasehold properties, and in some cases fails to place any value on these properties, it creates inequities for other taxpayers within the city who are forced to pay an increased share of the tax burden because these properties are not correctly assessed.

I would strongly suggest that the MOA change its methodology for assessing possessory interests. Unless your office has another method that will adequately and justifiably capture these values, I suggest you use the same methodology as used by every other municipality in the state, the reversionary method.

If you have any questions regarding this issue, please feel free to contact me. I will be out of the office until September 13 at which time you may contact with any questions or comments you may have.

Steve Van Sant  
State Assessor

**CITY OF SEWARD**  
P.O. BOX 167  
SEWARD, ALASKA 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

March 15, 2010

The Honorable Bill Stoltze  
Co-Chairman House Finance  
State Capitol, Juneau, Alaska 99801-1182

Re: Support for HB 357

Dear Representative Stoltze,

This is a letter of support from the City of Seward for HB 357 as currently written. The City recognizes the value of allowing the Alaska Railroad Corporation to sell rail land that is not necessary for essential railroad purposes when such a sale is in the best interest of the State of Alaska. HB 357 also protects the rights of persons having a leasehold interest in the land by giving them notice of a pending sale and the right of first refusal.

Please feel free to contact the City Manager or Mayor of Seward if you need additional information concerning support of the City of Seward for HB 357.

Sincerely,

Handwritten signature of Phillip E. Oates in cursive.

Phillip E. Oates, DBA  
City Manager

Handwritten signature of Willard E. Dunham in cursive.

Willard E. Dunham  
Mayor



# THE ALLIANCE

**...for responsible development of Alaska's Oil, Gas & Mineral Resources**

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March 12, 2010

Representative Peggy Wilson, Chairperson  
House Transportation Committee  
State Capitol, 4<sup>th</sup> Floor  
Juneau, Alaska 99801

Dear Representative Wilson,

The Alaska Support Industry Alliance, a trade association representing companies that provide goods and services to Alaska's oil, gas and mining industries, supports House Bill 357. By authorizing (but not requiring) the Alaska Railroad to sell land that's not needed for railroad purposes from its real estate portfolio, Rep. Stoltze's legislation would promote private land ownership within the state and stimulate new private sector investment. It also has the potential to increase the tax bases of communities along the Railbelt and generate cash for the railroad.

HB 357 is pro-business and private sector, pro-investment, pro-Alaska Railroad and pro-jobs. We endorse and urge its passage. Thank you.

Sincerely,

Paul Laird  
General Manager

c: Rep. Bill Stoltze

HOUSE BILL NO. 357

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES STOLTZE, Tammie Wilson

Introduced: 2/19/10  
Referred: Transportation

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sale of land owned by the Alaska Railroad that is not <sup>Δ</sup>needed for  
2 railroad purposes."

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

4 \* Section 1. AS 42.40.350(c) is amended to read:

5 (c) The corporation may lease, subject to AS 42.40.285 and (d) of this section,  
6 grant easements in or permits for, or otherwise authorize use of portions of rail land.  
7 However, the corporation may not convey its entire interest in rail land except as  
8 provided in AS 42.40.285, 42.40.352, 42.40.370(d), and 42.40.400.

9 \* Sec. 2. AS 42.40 is amended by adding a new section to read:

10 Sec. 42.40.352. Sale of land not necessary for <sup>Δ</sup>essential railroad purposes.

11 (a) <sup>Δ</sup>The corporation may sell land if the board finds (1) the land is not necessary for  
12 essential railroad purposes, and (2) the sale of the land is in the best interest of the  
13 state. The sale of land is subject to the terms and conditions of AS 42.40.285,  
14 42.40.350(d), and this section.

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(b) Before offering land for sale under this section, the railroad shall

(1) publish public notice of the proposed sale that includes the finding by the board that the land is not necessary for railroad purposes and that the sale is in the best interest of the state;

(2) provide notice to persons having a leasehold interest in the land proposed to be sold and offer the leaseholders the right of first refusal; and

(3) receive legislative approval under AS 42.40.285.

(c) The corporation shall separately account for the proceeds from the sale of land under this section and shall report the earnings and balance in the account in the annual report required by AS 42.40.260. Money in the account may be appropriated in accordance with 45 U.S.C. 1207(a)(5) (Alaska Railroad Transfer Act of 1982). *A amend.*



Joe Beedle  
President

March 15, 2010

Honorable Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, Room 406  
Juneau, AK 99801  
Sent Via Fax 907-465-3175

Regarding HB 357 – Sale of Alaska Railroad Land

Madam Chair Wilson,

I write today in support of HB357 as an individual, as a bank president and as someone with prior experience as an officer in a State entity that benefits significantly from sale of non-essential real property.

While individuals and enterprises may invest in leasehold estate property, and banks may take assignments of leasehold for security, such development or lending usually results in less than the highest and best use of the property or results in less long term care of or maximum improvement to the property. Given a choice at market rents, investors and lenders will usually chose to develop land that is owned outright or 'fee simple.' Such greater 'real' improvements tend to increase production, employment, tax revenues and 'quiet enjoyment' by the successor owner.

Typical prudent investors that own real estate will analyze the potential appreciation of the real property and then compare and contrast the potential leasehold earnings against a permanent financial investment for a prudent long-term hold. If the land would not appreciate at 5-8% compounded and a permanent investment could foreseeable exceed that return, and the property is non-essential to the owner, it is quantitatively prudent to convert the long term land asset into a long term investment for greater gain to the owner (State/AK Railroad). Exchanging one long term asset for another long term asset of greater flexibility and potential financial leverage is considered a prudent and beneficial decision.

During my service as VP Finance at the University of Alaska, a land grant university, I witnessed and prudently oversaw the sale of non-essential/non-educational land and the investment of cash proceeds into the UA Land Grant trust fund wherein the principal was inflation proofed and the earnings, subject to legislative appropriation and regent/trustee dedication, were used to advance the needs of the university. The land was typically developed for constructive use, which added to production, employment and 'quiet enjoyment' while improving the local tax base if located in a municipality.

In summary, I believe that affording the Alaska Railroad this flexible tool will benefit all stakeholders and I encourage your support and passage of the legislation.

Sincerely,

Joe Beedle, President

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March 15, 2010

Honorable Peggy Wilson, Chairwoman  
Alaska State House of Representatives  
Transportation committee  
State Capitol  
Juneau, Alaska 99801

Dear Chairwoman Wilson,

I am writing in support of House Bill 357, which would allow the sale or disposition of the non-essential railroad lands. I believe that the passage of this legislation has merit on several levels:

1. As a tax payer of lands owned in the MOA, I would like to see more land become privately owned, less Federal and State owned land.
2. As a land owner on the South side of Ship Creek, We have improved the land we own and thereby pay additional taxes to the local government.
3. If I were a lease holder on the North side of Ship Creek, I would have little incentive to improve the property, as it not only increases my taxes, but **greatly increases my lease expense.** The end result is the properties on the South side of Ship Creek are newer and in better condition than those properties on the North side of Ship Creek.
4. Increased investment in private lands leads to a healthier private industry, thereby creating additional jobs in a prime Anchorage industrial area. Many of the building on the North side need to be replaced or remodeled. Ownership of the land would allow the owner to make this investment, without the negative impact of increased lease expense.
5. Please consider supporting HB 357. The entire Alaska Rain Belt will appreciate your committee's favorable consideration of this important House bill.

Jerry Hendriks

Vice President Alaska Operations

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