

**HB**

**314**

<TARGET><BILL>HB 314</BILL><SUBJECT>HB  
314</SUBJECT><COMM>SCRA27</COMM></TARGET>

# ALASKA STATE LEGISLATURE

## REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources

Session: January – April  
State Capitol  
Juneau, AK 99801-1182  
Phone: 907-465-2693  
Fax: 907-465-3835



Interim: May – December  
145 Main Street Loop, Ste 221  
Kenai, AK 99611  
Phone: 907-283-2690  
Fax: 907-283-2763

Official Business

---

March 15, 2012

Senator Olson, Chair  
Community and Regional Affairs  
Room 508, State Capitol  
Juneau, Alaska 99801

At your earliest convenience, I respectfully request the scheduling of House Bill 314, "An Act extending the time period for which the Alaska Railroad Corporation may lease land without reserving the right to terminate the lease; and providing for an effective date."

House Bill 314 extends the maximum Alaska Railroad property lease term from 55 to 95 years. This legislation allows developers and owners the flexibility that is necessary in the current real estate market to make long term developments and improvements on property owned by the State of Alaska under the Alaska Railroad Corporation's direction.

Please do not hesitate to contact my staff, Anna Latham, at 465-4530 with any questions or concerns about this legislation. I look forward to hearing from you and discussing this bill in further detail.

Thank you for your consideration.

A handwritten signature in cursive script, appearing to read "Kurt Olson for Rep. Olson".

Representative Kurt Olson  
District 33



# ALASKA STATE LEGISLATURE

## HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON

Chairman  
State Capitol, Room 24  
Juneau, AK 99801-1182  
(907) 465-4954 Fax 465-3835

Rep. Craig Johnson, Vice- Chair  
Rep. Mike Chenault  
Rep. Lindsey Holmes  
Rep. Dan Saddler  
Rep. Steve Thompson  
Rep. Bob Miller

---

### House Bill 314 Sponsor Statement

The Alaska Railroad is mandated by the state to foster and encourage economic development for Alaskan communities and the state as a whole. HB 314, which extends the maximum Alaska Railroad property lease term from 55 to 95 years, is in line with this directive. HB 314 will create sizeable investment opportunities, which in turn will contribute to economic growth and jobs for Alaskans.

Real estate developers and lending institutions agree that large multi-million dollar developments require a level of financial security afforded by longer leases. High value building construction comes with the expectation that builders will be able to recoup their substantial investments through subsequent sales. When millions of dollars are at stake, investors require sufficient time to sell and ensure a marketable property exists for refinancing and for future buyers.

It is important to note that shorter leases will still be approved when appropriate. The Alaska Railroad will look closely at the economic life of proposed improvements and investments before making a 95 year commitment to the use of railroad land.

HB 314 allows developers and owners the flexibility that is necessary in the current real estate market to make long term developments and improvements on property owned by the State of Alaska under the Alaska Railroad Corporation's direction.

HB 314 is supported by the Alaska Railroad Corporation, the City of Seward, the City of Whittier, the Municipality of Anchorage and the Alaska RR Leaseholders Association.

---

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version HB 314  
 Fiscal Note Number \_\_\_\_\_  
 ( ) Publish Date \_\_\_\_\_

Identifier (file name) HB314-DNR-MLW -2-10-12 Dept. Affected Department of Natural Resources  
 Title Alaska Railroad Land Leases Appropriation Land & Water Resources  
 Allocation Mining Land & Water  
 Sponsor Labor & Commerce  
 Requester (H) L&C OMB Component Number 3002

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

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
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>FUND SOURCE</b>		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<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>POSITIONS</b>							
Full-time	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0

<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>
---------------------------	------------	------------	------------	------------	------------	------------	------------

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial Version, not applicable

Prepared by Brent Goodrum, Director  
 Division Mining, Land & Water  
 Approved by Daniel S. Sullivan, Commissioner  
Department of Natural Resources

Phone 269-8600  
 Date/Time 2/10/12 9:00 AM  
 Date 2/10/2012

**FISCAL NOTE**

**STATE OF ALASKA  
2012 LEGISLATIVE SESSION**

**BILL NO.** HB 314

**Analysis**

HB314 extends the time period from 55 years to 95 years for which the Alaska Railroad Corporation may lease land.

There is no expected fiscal impact on DNR.

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version HB 314  
 Fiscal Note Number \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB314-DCCED-ARRC-02-10-12 Dept. Affected DCCED  
 Title Alaska Railroad Land Leases Appropriation Alaska Railroad  
 Allocation Alaska Railroad  
 Sponsor House Labor and Commerce  
 Requester House Labor and Commerce OMB Component Number \_\_\_\_\_

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

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
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>FUND SOURCE</b>		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<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>POSITIONS</b>								
Full-time								
Part-time								
Temporary								

<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>
---------------------------	------------	------------	------------	------------	------------	------------	------------

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial Version

Prepared by Bill O'Leary, Vice President Finance  
 Division Alaska Railroad Corporation  
 Approved by JoEllen Hanrahan, Director Administrative Services  
Commerce, Community, and Economic Development

Phone 907-265-2516  
 Date/Time 2/10/12 2:00 PM  
 Date 2/10/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 314

**Analysis**

This legislation extends the time period for which the Alaska Railroad may lease land from 55 years to 95 years.

House Bill 314 will not create a fiscal impact on the State of Alaska but will provide future benefit to the Alaska Railroad Corporation and individuals interested in leasing Alaska Railroad land. This legislation will allow for the Alaska Railroad Board of Directors to lease land for certain projects it approves for a period of up to 95 years.

The Alaska Railroad Corporation (ARRC) is a public corporation supported by revenues generated through its freight, passenger and real estate activities. ARRC does not receive state operating subsidies.



*Executive Office*  
*Telephone: 907-265-2403*  
*Facsimile: 907-265-2312*

October 25, 2011

Alaska State Legislature  
Capitol Building  
Juneau, Alaska 99811

Dear Legislators:

At our September 29, 2011 Board of Directors meeting, we directed management to seek legislative approval to extend the maximum Alaska Railroad property lease term from 55 to 95 years.

As state-owned entity, the Alaska Railroad has a mandate to foster and encourage economic development for Alaskan communities and the state as a whole. We believe the 95-year lease term extension is in line with this directive and will create sizeable investments opportunities which in turn will contribute to economic growth and jobs for Alaskans.

The decision to request legislative approval for the ability to issue longer leases resulted from many meetings in 2011 with our real estate customers and professionals in the real estate industry. The opportunity for a 95-year lease would accommodate existing and potential Alaska Railroad real estate customers who have repeatedly expressed desire for a longer lease term.

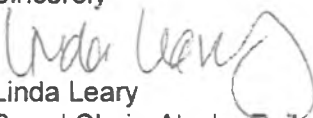
Prior to the transfer of the Alaska Railroad to the State of Alaska, lease terms could be as long as 99 years under federal ownership. After 1985, state restrictions limited lease terms to 35 years until 2002, when the State Legislature approved a maximum term of 55 years.

Real estate developers and lending institutions agree that large multi-million-dollar developments require a level of financial security afforded by longer leases. High-value building construction comes with the expectation that builders will be able to recoup their substantial investments through subsequent sales. When millions of dollars are at stake, investors require sufficient time to sell and ensure a marketable property exists for refinancing and for future buyers.

In making this request for legislative approval, I would like to assure legislators that the Alaska Railroad would make prudent use of a longer maximum lease option. A 95-year lease would not be the standard lease. Rather, it would be available for those infrequent opportunities when a developer or business is seeking to make considerable capital improvements and infrastructure investments. The Alaska Railroad will look closely at the economic life of proposed improvements and investments before making a 95-year long-term commitment to the use of railroad land.

Thank you for considering this important economic opportunity initiative.

Sincerely



Linda Leary

Board Chair, Alaska Railroad Corporation



# THE CITY OF WHITTIER

*Gateway to Western Prince William Sound*

P.O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

*January 16<sup>TH</sup>, 2012*

*Alaska Railroad Corporation  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501  
Attn: Corporate Affairs*

*Re: Alaska Railroad Ground Lease Extension to 95 years*

*Dear Alaska Railroad Board of Directors,*

*For the reasons listed below the City of Whittier supports the proposed legislation that would allow ARRC to extend the maximum lease term from 55 years to 95 years.*

- 1. Financial institutions would be more likely to provide financial support to developers as well as business owners for high dollar projects.*
- 2. Businesses and improvements would become more sellable and transferrable to new owners because there would be more finance periods throughout the term of the lease.*
- 3. Owners could and would be more likely to make continued improvements with a longer lease period.*

*The ARRC BOD would of course make the final determination on a case to case basis. Their approval would be determined by each proposal submitted to them.*

*This extension of the ARRC leases will allow developers and owners the flexibility that is necessary in the current market to make long term developments and improvements on property owned by the State of Alaska under Alaska Railroad Corporation's direction.*

*Thank-you,*

*Robert Prunella*  
**Robert Prunella**  
**City Manager**  
**Whittier, Alaska**

**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

12 January 2012

Alaska Railroad Corporation  
327 W. Ship Creek Ave.  
Anchorage, AK 99501  
Attn: Corporate Affairs

RE; Recommendation to allow 95-year ground leases of ARRC lands

Dear Alaska Railroad Board of Directors,

The Alaska Railroad begins in Seward, owns significant quantities of land in Seward, and has always been an economic development partner with Seward. As stewards, we share the common goal of deriving the best utilization of our lands. Towards that end, we as a City are reviewing the terms we lease land under, just as we understand the Railroad is doing.

We are finding that in order to stimulate investment by the businesses we lease land to we will need to extend the length of our lease periods, and we urge the Railroad to do the same.

Lenders are demanding assurance of a long-term interest in the property prior to financing or refinancing businesses. There is no motivation to invest long term on a lease that won't endure for the life of the business. As leases near maturity we are seeing reluctance to improve structures on the lease sites; you are no doubt seeing the same.

Confidence in the knowledge that a briefer lease term won't restrict growth potential or transfer opportunity promotes a robust business that will continue to produce revenue for the lessor.

We understand that the Board of Directors will make the final determinations as to length of leases on a case by case basis, has the authority and responsibility to require shorter lease terms when appropriate, and that the proposed longer term would be applicable only upon the Board's approval.

For the reasons stated above, we believe that having the ability to lease for 95 years, 40 years longer than the current 55 year maximum, is a sound and worthwhile change necessary to thrive in today's market. We support adoption of legislation authorizing this change in order to promote long term development on State lands under the direction of the Alaska Railroad Corporation.

Thank you,

Jim Hunt

Seward City Manager

Municipality of Anchorage

# 2012 State Legislative Program

(State Fiscal Year 2013)

Dan Sullivan, Mayor

## Assembly

Debbie Ossiander, Chair

Ernie Hall, Vice Chair

Chris Birch

Harriet Drummond

Patrick Flynn

Elvi Gray-Jackson

Paul Honeman

Jennifer Johnston

Bill Starr

Dick Traini

Adam Trombley

## Energy

**Natural Gas:** Support legislation that promotes natural gas development in the Cook Inlet, and modernizes aging Railbelt electrical transmission facilities.

**Oil Production:** The MOA strongly supports all efforts to maximize oil production to maintain Trans Alaska Pipeline Service (TAPS) viability; and encourages a competitive analysis be performed to address the existing regulatory and fiscal framework to identify whether Alaska is globally positioned to attract maximum development.

## Private Sector Development

**AKRR Lease Extension:** The MOA supports legislative approval to extend the maximum Alaska Railroad property lease term from 55 to 95 years. The opportunity for a 99-year lease would accommodate existing and potential Alaska Railroad real estate customers who have repeatedly expressed support for a longer lease term and ultimately help private sector development in Anchorage.

**Film Credits:** MOA supports extending the Alaska Film Production Incentive Program if the level of credits available under the program incentivizes the appropriate local investment and economic benefit that was intended by the program.

## Public Safety

**Synthetic Cocaine (AKA “Bath Salts”):** There is a new synthetic drug on the streets, which is sold in smoke shops and elsewhere most commonly called “bath salts.” The situation is similar to the synthetic cannabinoid (“incense”) issue we addressed last year. These products are packaged to appear that they are not intended for ingestion, but everyone knows otherwise, “Bath salts” produce a high similar to methamphetamine. People who ingest this product often become quite violent, and are extremely difficult to overpower and control. As of this writing, the active ingredients of this drug have just been temporarily listed by the DEA on its schedule of controlled substances, and a municipal ordinance banning the drug has been introduced at the Anchorage Assembly. Any law Anchorage passes will only be a misdemeanor. However, the Alaska Statutes need to be amended, as they were for synthetic cannabinoids last session, to create felony consequences for possession and use of this new synthetic street drug.

**Involuntary Commitment:** Amend AS 47.27.190 on Involuntary Commitment, Section (a) by adding language to make the statute more consistent with AS 47.37.180 on Emergency Commitment.

**Prosecution Surcharge:** Under the philosophy that cost-causers should be cost-payers, add a surcharge for prosecution similar to that for law enforcement to allow law departments to capture at least a portion of the funds expended in the interest of public safety. Under AS 12.55.039, a



January 9, 2012

Alaska Railroad Corporation  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501  
Attn: Corporate Affairs

**SUBJECT: RECOMMENDATION TO ALLOW 95-YEAR GROUND LEASES OF ALASKA RAILROAD LAND**

Dear Alaska Railroad Corporation Board of Directors:

I write on behalf of Cook Inlet Housing Authority, the regional housing authority serving Southcentral Alaska, to support proposed legislation that would authorize the Alaska Railroad Corporation (ARRC) to lease land for a maximum term of 95 years, an increase from its current 55-year maximum.

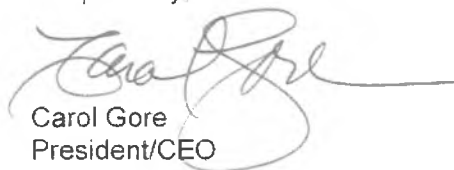
Cook Inlet Housing is one of the most active residential developers in Southcentral Alaska. Our developments serve working families in need of quality, affordable housing. As such, our ability to make projects feasible depends upon the structure of each deal. Presently, ARRC's 55-year limitation on leases presents an impediment to such developments.

Increasing the allowable lease term would enable developers like Cook Inlet Housing to finance more expensive projects by providing financial institutions the peace of mind they need to make large loans for development on ARRC land. Further, the longer lease term would enable investors to refinance throughout the lease term, facilitating ongoing economic development.

Of course, ARRC would not be required to approve any particular 95-year lease. Rather, each lease would remain subject to final approval by the ARRC Board of Directors. The ARRC Board would evaluate all lease terms, including duration, on a case-by-case basis.

Additional flexibility and security are necessary to encourage economic development in the Alaska market. Granting ARRC authority to enter into leases up to 95 years will positively impact construction and development activity on property owned by the State of Alaska and under the control of the Alaska Railroad Corporation. Cook Inlet Housing strongly supports legislation that would authorize ARRC to lease land for a maximum term of 95 years.

Respectfully,



Carol Gore  
President/CEO



Headquarters:  
P.O. Box 70407, 1607 Well St.  
Fairbanks, Alaska 99707-0407  
(907) 456-4414  
FAX: (907) 452-4846  
1-800-770-4414

1716 Post Road  
Anchorage, Alaska 99501  
(907) 277-1406  
FAX: (907) 258-1700  
1-800-478-1406

## INDUSTRIAL & CONSTRUCTION SUPPLY, INC.

February 6, 2012

Alaska Railroad Corporation  
327 W. Ship Creek Ave.  
Anchorage, AK, 99501  
Attn: Corporate Affairs

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

To Alaska Railroad Board of Directors:

Jackovich Industrial & Construction Supply Inc., supports the Alaska Railroads proposal to the legislation to change the current land lease term from a maximum of 55 years to a maximum of 95 years.

The new lease term would allow the Lessee's to be able to secure better financing. I believe with better finance options to the Lessee's we would see larger developments and improvements to existing buildings. It would also give the Lessee's more comfort and confidence to build nicer and larger buildings.

Sincerely,

A handwritten signature in cursive script that reads 'Crystal Haman'.

Crystal Haman  
Vice President

Jackovich Industrial and Construction Supply, Inc.

ACTIVE AS ALASKA



**ANCHORAGE SAND and GRAVEL CO., INC.**

1040 O'Malley Road • Anchorage, Alaska 99515 • (907) 349-3333 • FAX (907) 344-2844 • www.anchsand.com

January 6, 2012

Alaska Railroad Corporation  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501  
Attn: Corporate Affairs

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

Dear Alaska Railroad Board of Directors:

Anchorage Sand & Gravel (AS&G) has been operating our cement division (Alaska Basic Industries) at the Port of Anchorage, on Alaska Railroad Corporation (ARRC) property, for many years. We have millions of capital dollars invested and plan to invest much more in the near future. AS&G supports proposed legislation that would allow the Alaska Railroad Corporation (ARRC) to change its current authority to lease land from a maximum term of 55 years to a maximum term of 95 years.

Reasons for support:

- 1) It would allow developers and business owners such as AS&G the security to know they can invest in large capital projects and be allowed the time necessary to take full advantage of their investments.
- 2) It would allow owners to continue to make improvements during the lease period over a longer period of time.
- 3) It would allow for several refinancing periods throughout the lease term which would allow improvements and businesses to be sold and transferred to new entities.
- 4) I understand that a maximum 95-year lease term is just that. A 95-year lease would be subject to ARRC Board of Directors approval. The ARRC Board Directors would make the final determination regarding appropriate lease terms on a case by case basis depending on the proposal with 95 years as the maximum any project could qualify for receiving.

This change to the ARRC's lease term would allow the flexibility necessary in today's market to encourage further long-term development on property owned by the State of Alaska under the direction of the Alaska Railroad Corporation.

Thank you,  
  
Wes Vander Martin  
Vice President/General Manager





December 9, 2011

Jim Kubitz  
Vice President of Real Estate and Facilities  
Alaska Railroad  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501

RE: Recommendation to Allow 95-Year Ground Lease Terms on Alaska Railroad Land

Dear Jim,

It has been a pleasure working with you to pursue commercial real estate development opportunities on land owned by the Alaska Railroad. Our team at PD has identified particular Alaska Railroad sites for possible development pursuits at Pfeffer Development. We recognize that railroad lands and activities have been closely linked with the development of Alaska's economy and population centers.

Most recently, we submitted an Alaska Railroad-owned site to a solicitation for leased space through the General Services Administration (GSA). GSA is considering this site for a federal lease.

The current 55-year ground lease term provision, however, restricts our capabilities as a developer. Increasing this term to 95 years would be most conducive for financing, allow the highest and best use of land, and overall provide an ideal condition for successful real estate development. This longer term would not only provide a more appropriate term for our current engagement with GSA, but also strengthen the Railroad's ability to develop other sites.

We highly recommend the Alaska Railroad and the Alaska Legislature allow 95-year ground lease terms. This would allow the Railroad to maximize their potential to foster community and commercial growth, as well as enhance state-owned Alaska Railroad assets.

Sincerely,

Mark E. Pfeffer  
Managing Member



## ARRLA

Alaska Railroad Leaseholders Association  
P.O. Box 112804  
Anchorage, Alaska 99511-2804  
Phone 907.276.4303

January 23, 2012

Alaska State Legislature  
Capitol Building  
Juneau, Alaska 99811

Dear Legislators:

The Alaska Railroad Leaseholders Association is in favor of Senate Bill 156. The Legislation which provides for extended terms for up to 95 years will give the Leaseholders the ability to provide for the economic development activities and financial requirements from the lending institutes for leased property.

Lease holders to Alaska Railroad property feel that it is in the best interest of the State of Alaska, the Railroad, and the Leaseholders to provide certainty for business and family interests which utilize railroad lease land.

Sincerely,

Richard Faulkner  
President  
Alaska Railroad Leaseholders Association



# THE Odom CORPORATION

January 17, 2012

Alaska Railroad Corporation  
Attn: Corporate Affairs  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

Dear Alaska Railroad Board of Directors:

We support proposed legislation that would allow the Alaska Railroad Corporation (ARRC) to change its current authority to lease land from a maximum term of 55 years to a maximum of 95 years.

Reasons for support:

- It would allow developers and business owners to finance large dollar projects and would provide adequate comfort to allow banks to secure their loans.
- It would allow owners to continue to make improvements during the lease period over a longer period of time.
- It would allow for several refinancing periods throughout the lease term which would allow improvements and businesses to be sold and transferred to new entities.
- We understand that a maximum 95 year lease term is just that. A 95 year lease would be subject to ARRC Board of Directors approval. The ARRC Board of Directors would make the final determination regarding appropriate lease terms on a case by case basis depending on the proposal with 95 years as the maximum any project could qualify for receiving.

This change to the AARC's lease term would allow the flexibility necessary in today's market to encourage further long-term development on property owned by the State of Alaska under the direction of the Alaska Railroad Corporation.

Thank you,

THE ODOM CORPORATION

William L. Odom  
Executive Vice President/Vice Chairman

WLO/ab

Trapline, LLC and Lumen Park, LLC  
1113 W. Fireweed #202  
Anchorage, Alaska 99503  
(907) 277-2663

12/7/11

Jim Kubitz, Vice President  
327 W. Ship Creek Ave.  
Anchorage, Alaska 99501

Dear Jim,


Thanks for meeting with us today to discuss real estate opportunities on Alaska Railroad land in Anchorage, Fairbanks, and Whittier.

As multi-family housing developers, we are very much interested in pursuing opportunities with the Railroad but we would be stymied by the 55 year lease term stipulation.

A longer ground lease term of 95 years would allow building owners to invest in maintaining their property over a longer period of time, matching the complete economic life of a building more closely to the ground lease term.

We hope the Alaska Railroad and the Alaska Legislature recognize that the 55 year lease term is out of step with the current lease market and is an impediment to Railroad land development.

Sincerely,



---

John McGrew



---

Ron Bateman



---

Glenn Gellert