

HB

207

<TARGET><BILL>HB 207</BILL><SUBJECT>HB
207</SUBJECT><COMM>HL&C30</COMM></TARGET>



“An Act relating to the sale, other disposal, leasing and encumbrance of Alaska Railroad Corporation land”

Benefits

- **ARRC**
 - ARRC will be able to monetize non-performing land assets such as remote areas, unusable small or irregularly shaped parcels or parcels subject to long-term leases that are generating below-market rent due to rent caps.
 - Monetizing non-performing real estate assets will allow investments in real estate infrastructure that will enhance the overall value of the ARRC real estate portfolio.
 - ARRC will be able to react much more quickly with respect to real estate opportunities that could potentially be funded by sale or encumbrance of ARRC land. Under the current situation, delays due to waiting for legislative approval can reduce the benefits of such transactions or completely scuttle or prevent prospective deals.
 - Efficient sales and encumbrances of ARRC land will generate cash flow to respond to opportunities in the real estate market and ensure ARRC complies with its mandate to be self-sufficient.
 - ARRC will be more efficient in engaging with land exchanges with other State entities, such as the DOT-ARRC land exchange currently being discussed.

Additionally potential beneficiaries:

- **LOCAL GOVERNMENT:**
 - Sale of ARRC land could increase private development and will increase local tax base.
- **ARRC CUSTOMERS:**
 - Existing ARRC customers acquiring land would benefit from elimination of rental payments and ARRC lease administration.
- **PUBLIC:**
 - Sale of ARRC land will provide the opportunity for individuals to acquire investment and recreational property promoting economic growth and development.
 - Sale of ARRC land will benefit its shareholder, the State of Alaska.

ALASKA RAILROAD

General Questions

- **Has legislature ever approved a sale?**

Yes, many times. Most recently:

In 2000 we did a land exchange with Eklutna, Inc., the Municipality of Anchorage, DOT and DNR to widen the Seward Highway and realign railroad tracks. (SB235)

In 2007 we did a transfer with Eklutna, Inc. (SB103)

In 2009 we did a sale to DOT (SB142) and a sale/swap with the Municipality of Anchorage (SB165)

- **How much land does ARR own?**

Approximately 36,000 acres. Half of which is used for railroad purposes, half is available for lease or sale.

- **Examples of a land that cannot be developed under a lease but could be attractive for a land sale?**

The Tri-Valley land in Healy is under lease currently but is limited in development because it is strictly residential. It could be beneficial to ARRC, the lessee, and the homeowners that sub-lease the property to sell it for their ownership.

We also have remote acreage in Curry and Hurricane that is unleaseable due to its remote nature and the low value of nearby land (why lease when I can buy for \$100?) that it may be worth selling for that price rather than getting no lease income.

Peger Road is partially on ARRC property. There is no developable value in the road. We would get more by doing a swap for other land with DOT.

- **Why was legislature required to approve sales?**

We have anecdotal reasons ranging from: it was a compromise with DNR to; it was done to keep the railroad whole in case some other railroad wanted to buy it to; because prior leaseholders were trying to get a sweetheart deal in buying the land.

ALASKA RAILROAD

Changes in Bill Language

- **Why, in 42.40.352, do we remove the requirement that the board must find that the land is not necessary for railroad purposes and that the sale of land is in the best interest of the state?**

42.40.352(a) was removed because the board is already "responsible for the management of the financial and legal obligations of the Alaska Railroad;" under 42.40.100(i) and to "review all state and other land disposal proposals to aid in the planning for future development or expansion of transportation services" under 42.20.100(7)

- **What is the benefit of the sunset provision?**

Putting in a sunset provision will allow the legislature to examine the results of a few years of selling ARRC land and reinvesting the proceeds. We believe a five-year sunset is appropriate to allow for enough time to complete sales and build a track record.

ALASKA STATE LEGISLATURE

REPRESENTATIVE ADAM WOOL

Session: January - April
State Capitol, Room 412
Juneau, AK 99801-1182
Phone: 907-465-4976

- Chair: Transportation, Energy
- Vice Chair: Labor & Commerce
- Member: State Affairs

Interim: May - December
1292 Sadler Way, Ste. 308
Fairbanks, AK 99701
Phone :907-452-6084



Official Business

TO: Representative Kito, Labor & Commerce Chair
FROM: Representative Wool
DATE: February 9, 2018
RE: HB207 Hearing Request

At your earliest convenience, I respectfully request the calendaring of House Bill 207 "Alaska Railroad Corporation Land" in House Labor & Commerce Committee. There is a Sponsor Substitute for you to review to be considered as a draft for a Committee Substitute. The bill was introduced at the end of last session, changes were made to keep the legislation clean by mirroring the companion version in the Senate.

Please do not hesitate to contact my staff, Laura Stidolph, at 465-6879 with any questions or concerns about this legislation. I look forward to hearing from you and discussing the bill in further detail.

Thank you for your consideration.

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Official Business

House Bill 207 “Disposal of Alaska Railroad Corporation Land” Sectional Analysis

Section 1. Removes from AS 42.40.120(b) (Delegation of powers and duties to the chief executive officer) the requirement for legislative approval of land transaction affecting utility corridors, land lease, or land disposals if it is a land sale or lease longer than 95 years.

Section 2. Sunsets Section 1 in three years and re-establishes in statute the requirement for the Alaska Railroad to get legislative approval for land transfers.

Section 3. Removes from AS 42.40.120(c) (transactions requiring board approval) the requirement for legislative approval.

Section 4. Sunsets Section 3 in three years and re-establishes in statute the requirement for the Alaska Railroad to get legislative approval for land transfers.

Section 5. Enacts 42.40.285, the Legislative Approval Required provision repealed in this legislation three years after the effective date of the bill.

Section 6. Removes from AS 42.40.350(b) (authorization of a utility corridor) the requirements for legislative approval of such authorization.

Section 7. Sunsets Section 6 three years after the effective date of the legislation to reinstate the statutory requirement for legislative approval.

Section 8. Removes from AS 42.40.350(c) (granting easements on railroad land) the requirement for legislative approval.

Section 9. Sunsets Section 8 three years after the effective date of the legislation to reinstate the statutory requirement for legislative approval.

Section 10. Removes from AS 42.40.350(d) (lease or disposal of land at fair market value) the requirement for legislative approval.

Section 11. Sunsets Section 10 three years after the effective date of the legislation to reinstate the statutory requirement for legislative approval

Section 12. Removes from AS 42.40.352 (sale of land not necessary for railroad purposes) language requiring the board to make findings that land is not necessary for railroad purposes and that the sale is in the best interest of the state;

Under the provisions of AS 42.40.100, Management by the board, the board is already “responsible for the management of the financial and legal obligations of the Alaska Railroad.”

AS 42.40.100(7) requires the board to “review all state and other land disposal proposals to aid in the planning for the future development or expansion of transportation services.”

Added language to require the Alaska Railroad to offer the leaseholders the right of first refusal.

Also removes from 42.40.352 language requiring legislative approval of the sale

Section 13. Sunsets Section 12 three years after the effective date of the legislation to reinstate the statutory requirement for legislative approval.

Section 14. This is conforming language renumbering AS 42.410. Federal land reference to AS 42.40.285 to conform the repeal language in Section 15.

Section 15. Repeals the following:

Sec. 42.40.285(1) and 42.40.285(4) Legislative approval required.

Unless the legislature approves the action by law, the corporation may not

(1) Exchange, donate, sell, or otherwise convey its entire interest in land;

(4) lease land for a period in excess of 95 years unless the corporation reserves the right to terminate the lease if the land is needed for railroad purposes

Section 16. Has an immediate effective date for statutes amended in the bill that eliminate the requirement for legislative approval.

Section 17. This section sunsets the statutes amended in this bill that eliminate the requirement for legislative approval in three years and reenacts in statute the requirement for legislative approval.

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Official Business

House Bill 207

"An Act relating to the sale or other disposal, leasing, or encumbrance of Alaska Railroad Corporation land; and providing for an effective date."

House Bill 207 repeals the current requirement that the Alaska Railroad Corporation (ARRC) must receive legislative authority to sell, dispose, and encumber the entire interest of its land, and to issue leases of more than 95 years. This will enable ARRC to streamline real estate transactions and make decisions in a timely manner, much like other state entities such as the Department of Transportation and Public Facilities, the Department of Natural Resources, the Alaska Mental Health Lands Trust, and the University of Alaska.

ARRC is statutorily mandated to be self-sufficient. This bill will allow ARRC to generate cash flow to respond to opportunities in the real estate market and enhance their overall real estate portfolio to provide a buffer for lean years when train operations revenues do not cover expenses.

Currently, eighteen thousand acres are available for lease, permit, sale, or exchange. HB207 will allow ARRC to monetize non-performing land assets, generate cash flow to respond to opportunities in the real estate market, and income from the sale and trade of these properties will provide cash to further invest in and improve ARRC's real estate holdings in Fairbanks, Anchorage, and other areas. Enabling ARRC to sell land on which development would not occur with a land lease, such as significant commercial real estate construction, will encourage development and increase the local tax base.

This bill has a three-year sunset provision.

If you have any questions, please contact my staff, Laura Stidolph, (907) 465-6879. Thank you for your support of this legislation.



1016 W. Sixth Avenue, Suite 303

Anchorage, AK 99501

2/5/2018

Representative Adam Wool
Capitol Building, Room 412
Juneau, AK 99801

Dear Representative Wool:

I am reaching out to regarding House Bill 207, "An Act relating to the sale, other disposal, leasing and encumbrance of Alaska Railroad Corporation land".

The Anchorage Chamber of Commerce supports House Bill 207 as an effort to encourage more real estate development on Alaska Railroad land within Anchorage and throughout the entire rail belt.

Anchorage has a shortage of usable land, particularly land zoned for industrial uses. Freeing up land in a timely manner, without the delays that can occur in the legislature, would encourage those looking to bring a business into Anchorage or grow their business to do so by being able to own the property. This has the added advantage of increasing Anchorage's property tax rolls.

We also see this as an advantage to the Municipality of Anchorage to be able to complete land swaps or purchases from the Alaska Railroad in an expedited manner for projects beneficial to the people of Anchorage and the state as a whole.

Thank you for your support of this legislation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bruce Bustamante', is written over a horizontal line.

Bruce Bustamante
Anchorage Chamber of Commerce
President

DENALI BOROUGH

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Clay Walker, Mayor

February 5, 2018

Representative Sam Kito, House Labor and Commerce Committee Chair
Representative Adam Wool, House Labor and Commerce Committee Vice-Chair
Members of House Labor and Commerce Committee

Re: House Bill Number 207

As I am unavailable to provide testimony on February 19th on HB 207, please accept this letter of support. First, I would like to thank Representative Wool for sponsoring this bill, a companion bill to Senate Bill 86.

In 2009, the Denali Borough Assembly, via resolution, supported the 2010 legislation enabling the Alaska Railroad Corporation (ARRC) to sell land. The borough subsequently encouraged the ARRC to consider lands within the Healy Reserve as suitable for sale, being in the best interest of the state. To this date, I understand no ARRC lands have been sold statewide.

The Healy Reserve is the largest railroad reserve in the entire state, totaling 6,226 acres. Within the reserve, the railroad leases land vital to community functions. The Healy River Airport, leased to the Alaska Department of Transportation and Public Facilities, is important for personal, recreational and commercial aviation, but is essential to public safety, being the primary location for life flights. Granting the ARRC Board the ability to sell land, or exchange with other state entities, will help resolve such layered land situations across the state,

The ARRC land leased to Usibelli Coal Mine for the development of a residential subdivision forms the center of the Healy community. The Tri-Valley Community Center, which houses the medical clinic, fire hall, borough office, bank, and state trooper station, sits on leased land. These lands are clearly not needed, and never will be, for railroad operations. In fact, the ARRC has identified 4,986 acres in the Healy Reserve to be useable land. In an area dominated by public land, these lands could be invaluable to the development of the region.

It is time for the legislature to allow the ARRC, through its board, the ability to dispose of lands without the burdensome process of legislative and gubernatorial approval. State agencies will have more options. Alaskan residents will have a brighter future, with increased opportunities for private land ownership. Private land ownership is fundamental to community growth, state growth, and economic expansion.

Thank you for this opportunity to provide comment on House Bill 207.

Sincerely,

Clay Walker, Denali Borough Mayor



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February 5, 2018

Representative Adam Wool
State Capitol Room 412
Juneau AK, 99801

RE: House Bill 207, "An Act relating to the sale, other disposal, leasing and encumbrance of Alaska Railroad Corporation land".

Dear Representative Wool:

I encourage legislators to support HB 207 as a tool for economic development during what looks to be tough economic times for our state.

Our corporation has been involved in real estate development in Alaska for quite some time. We see great potential in this legislation for us to work with the Alaska Railroad, as development opportunities arise, to move quickly to take advantage of those opportunities.

The benefits of HB 207 go beyond just our company and the railroad. Private companies and individuals purchasing Alaska Railroad land will encourage economic growth and development, while at the same time putting the properties on the tax rolls to increase payments to local governments.

Additionally, HB 207 will bring the Alaska Railroad Corporation into alignment with other state entities that we have worked with in the past such as the Department of Transportation and Public Facilities to be able to sell land without legislative approval.

Best Regards,

Curtis J. McQueen
Chief Executive Officer