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Statewide Office of Land Management

Annual Report

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TABLE OF CONTENTS

Financial Report.....	1
Strategic Plan	
Summary of Progress Toward Goals and Objectives	6
1999 Development Plan	
Major Projects Requiring Board of Regents' Notification and Approval	10
 <u>INVESTMENT PROPERTY PROJECTS</u>	
Northern Region.....	12
Southcentral Region.....	15
Southeast Region	24
Statewide.....	27
 <u>EDUCATIONAL PROPERTY PROJECTS</u>	
University of Alaska Anchorage.....	31
University of Alaska Fairbanks	32
University of Alaska Southeast.....	34
Statewide.....	35
 University of Alaska Foundation Property.....	36
Regional Summary of Investment Property.....	38
Regional Summary of Educational Property.....	39

FINANCIAL REPORT

The Statewide Office of Land Management (SOLM) generated receipts of more than \$9.6 million in FY98 from real estate and resource development projects involving University of Alaska and University of Alaska Foundation property.

The following are some of the highlights of FY98:

- \$5.5 million was generated from the University's Gulf Coast Timber Sale #1.
- SOLM sold land worth more than \$2.9 million in competitive and over-the-counter subdivision lot sales.
- Contracts for the University's Coffman Cove Timber Sale #1, Coffman Cove Timber Sale #2 and Gulf Coast Timber Sale #2 were executed and deposits received.
- Regeneration surveys were conducted on the Whipple Creek #2 and White River timber sales.
- Three subdivisions - Kasilof River, Peregrine Heights Phase II and Clarence Straits were completed and offered for sale.
- SOLM reached an agreement for the sale of the Stampede Mine to the National Park Service.
- \$467,233 was collected on previous land sale contracts.

FY98 RECEIPTS

Receipts generated by SOLM in FY98 were \$9,689,745. This represents a 66 percent increase over FY97 receipts of \$5,838,246. The chart on page 3 illustrates receipts for the past five fiscal years. Table A on page 5 details receipts by category for the past five fiscal years.

Current receipts are as follows:

<u>Receipt Type</u>	<u>Ending June 30, 1997</u>	<u>Ending June 30, 1998</u>
University Trust Land	\$3,956,626	\$7,600,427
Other University Property	\$1,837,536	\$1,719,473
Foundation Property	<u>\$ 44,084</u>	<u>\$ 369,845</u>
Total Receipts	\$5,838,246	\$9,689,745

LAND-GRANT ENDOWMENT TRUST FUND

In 1997 management of the Land Grant Trust Fund (LGTF) was transferred from the State of Alaska to the University. The chart on page 4 illustrates the asset types which comprise the Land Grant Endowment Trust Fund and compares their balances over the past five fiscal years.

Current balances are as follows:

<u>Asset Type</u>	<u>Ending June 30, 1997</u>	<u>Ending June 30, 1998</u>
Accounts Receivable ¹	\$ 3,985,569	\$ 4,572,433
Cash & Investments ²	\$39,328,244	\$50,729,799
Real Estate ³	\$36,788,373	\$36,015,251
Deposits Payable ⁴	<u>\$ (38,841)</u>	<u>\$ (40,890)</u>
Total Fund Balance	\$80,063,345	\$91,276,593

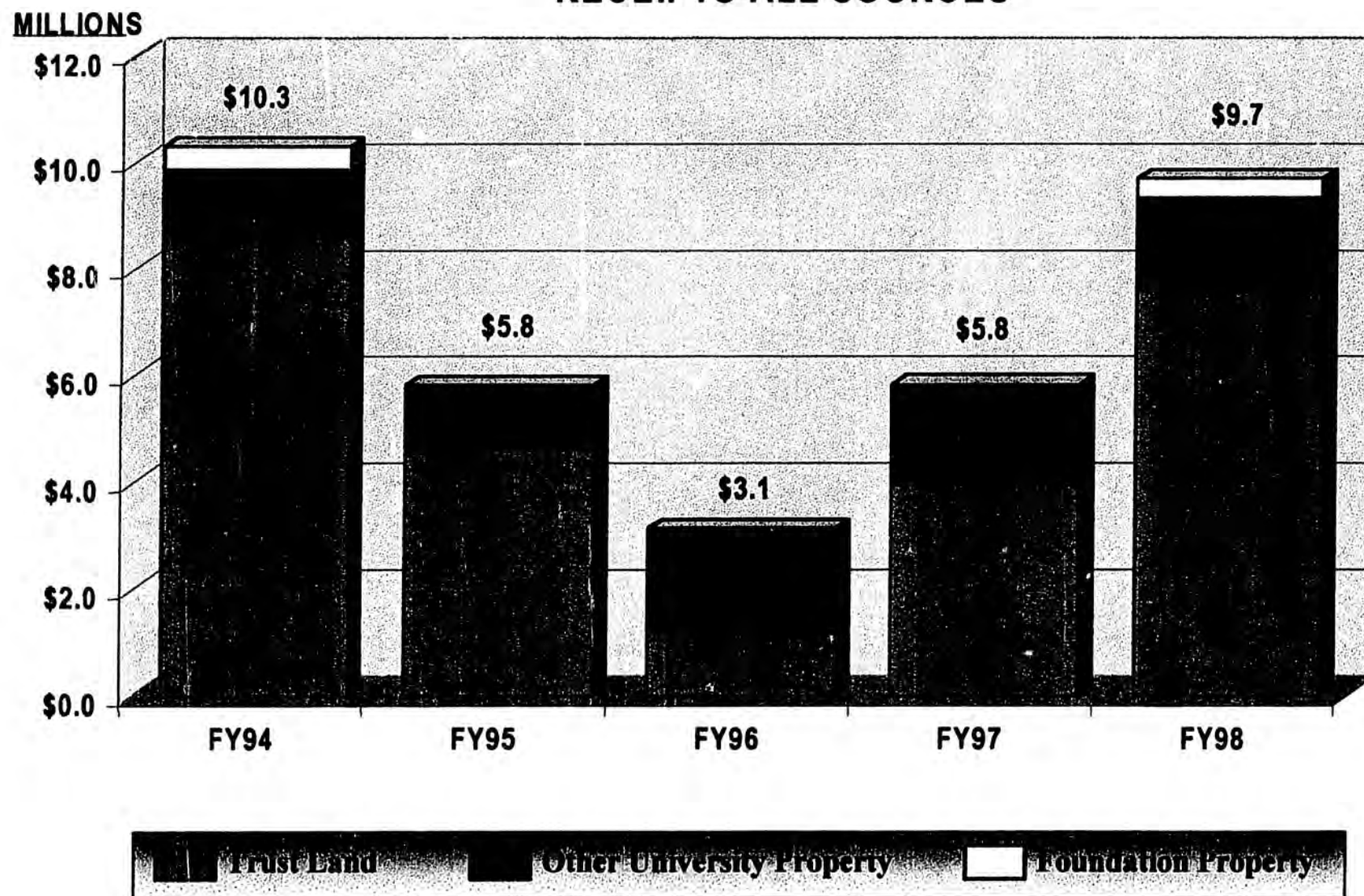
¹ Principal balance due on land sale contracts and deeds of trust; judgments and defaults.

² In FY98 \$5.42 million was deposited into the LGTF as an addition to principal, and investments were increased by \$6.34 million to reflect current market value.

³ Real estate with a known basis was booked in 1993 at its acquisition value. Approximately 81,000 acres are held by the University at \$0 basis because fair value at the time of transfer was not determined.

⁴ Deposits held by the University on pending land sale closings.

RECEIPTS-ALL SOURCES



LAND-GRANT ENDOWMENT TRUST FUND

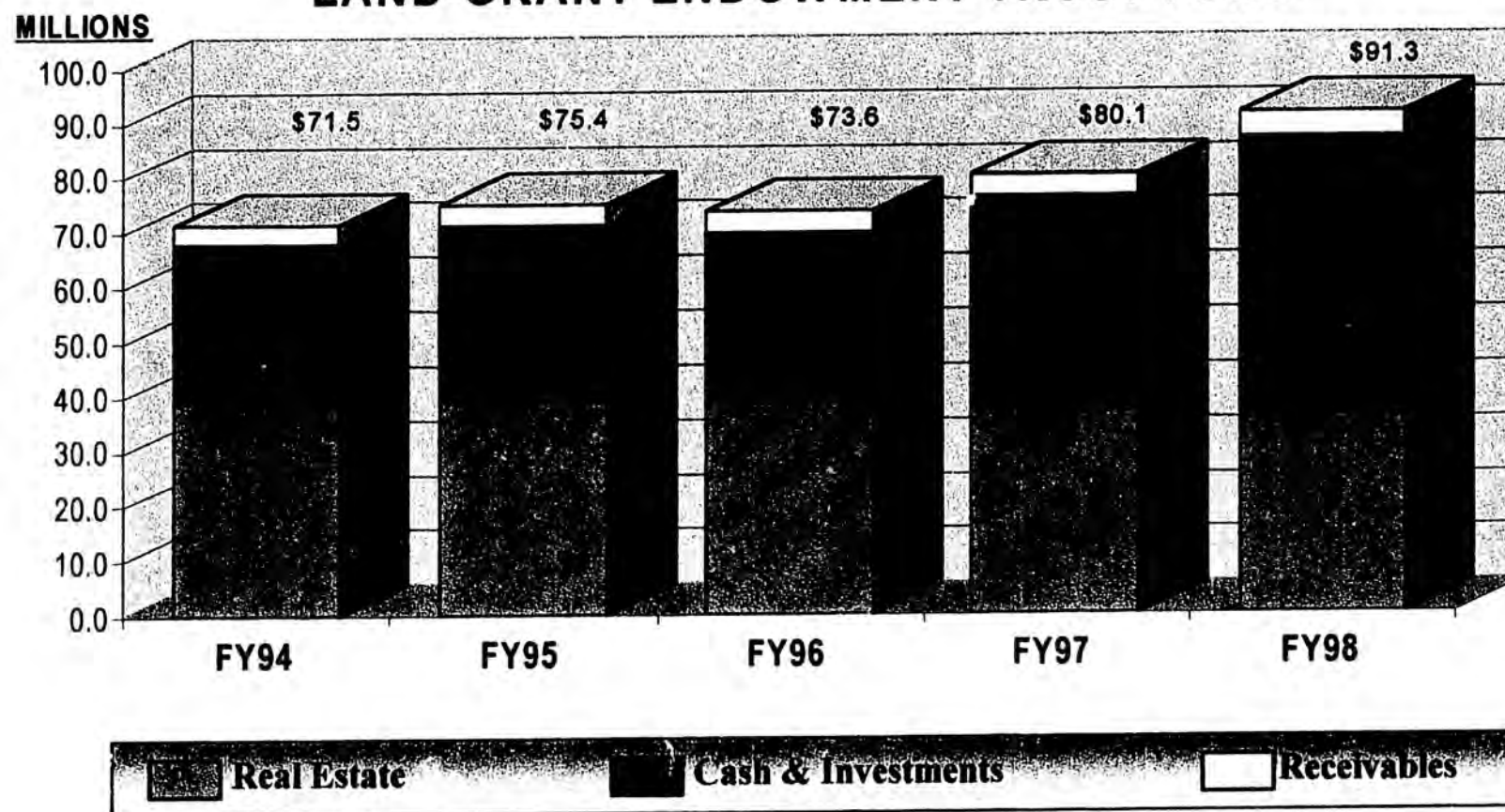


TABLE A

UNIVERSITY OF ALASKA
Receipts From the Statewide Office of Land Management Activities
Year to Date to 6/30/98

	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
<u>University Trust Land</u>					
Land Sales	\$1,691,509	\$1,218,409	\$825,976	\$1,470,954	\$1,828,124
Land Leases	72,572	65,899	45,057	61,901	89,935
Commercial/Residential Leases	0	0	12,759	13,044	13,418
Permits & Fees	26,728	26,858	788	3,790	8,302
Timber Sales	6,813,647	3,278,271	*125,813	2,276,529	5,620,719
Mineral Lease/Royalty Payments	0	0	0	75,300	0
Oil and Gas Lease/Royalty Payments	7,286	9,107	160,010	10,575	6,674
Material Sales	12,866	12,300	16,199	29,352	2,219
Easements/Rights of Way	200	2,300	5,316	10,875	26,010
Miscellaneous	500	5,014	(20)	4,306	5,027
	<u>8,625,308</u>	<u>4,618,158</u>	<u>1,191,899</u>	<u>3,956,626</u>	<u>7,600,427</u>
<u>Other University Property</u>					
Land Sales	\$803,107	\$508,044	\$603,187	\$542,428	\$105,565
Land Leases	95,791	428,062	556,812	5,576	9,061
Commercial/Residential Leases	0	198,239	698,285	835,280	1,119,120
Investment Revenue	0	0	0	439,740	459,037
Permits & Fees	306,268	7,700	3,362	2,900	3,075
Timber Sales	0	0	0	0	0
Material Sales	43,297	36,075	21,323	11,612	21,616
Easements/Rights of Way	0	0	1,300	0	2,000
Miscellaneous	0	0	0	0	0
	<u>1,248,463</u>	<u>1,178,120</u>	<u>1,884,267</u>	<u>1,837,536</u>	<u>1,719,473</u>
<u>Foundation Property</u>					
Land Sales	\$420,516	\$28,013	\$56,254	\$44,084	\$359,445
Commercial/Residential Leases	0	0	8,081	0	10,400
	<u>420,516</u>	<u>28,013</u>	<u>64,335</u>	<u>44,084</u>	<u>369,845</u>
TOTAL RECEIPTS	<u>\$10,294,287</u>	<u>\$5,824,291</u>	<u>\$3,140,502</u>	<u>\$5,838,246</u>	<u>\$9,689,745</u>

*On prior annual reports, this figure was represented by two line items: Timber Sales and Timber Refunds.

STRATEGIC PLAN

Summary of Progress Toward Goals and Objectives

Regents' Policy 05.11.04.A.4 requires that each Annual Report of the Statewide Office of Land Management contain "...a summary of progress made toward the goals and objectives stated in Strategic Plan(s)." The Strategic Plan was approved by the Board of Regents in April 1996. The Strategic Plan includes a 25-year vision statement and a 5-year plan containing specific goals and objectives. The specific goals and objectives of the 5-year plan require periodic updates in accordance with the provisions of the 25-year vision statement. The next review and update of the 5-year plan is scheduled to occur in FY00.

The following summarizes SOLM's progress toward achieving the goals and objectives of the current 5-year plan (FY96 through FY00).

Identify and dispose of non-appreciating assets.

1. Evaluate each parcel of University land to determine its highest and best use.

Highest and best use of each parcel has been evaluated and entered into SOLM's Land Information System (LIS).

2. Identify property that has beneficial educational use.

In May 1998 the University accepted the donation of a 32-acre parcel near Pippen Lake in the Copper Basin and classified the parcel for educational purposes. No other properties have been identified and reclassified for educational use.

3. Establish development time horizons for each parcel and separately identify non-appreciating assets.

Preliminary development time horizons have been established. A comprehensive analysis to identify additional non-appreciating assets is on-going. Although the University has consistently offered non-appreciating assets in its annual land sales, interest in these properties has been very limited. SOLM believes this is due, in large part, to environmental and/or physical constraints relative to those properties.

4. Sell at least 10 percent of the University's non-appreciating assets.

Over 1,100 acres of identified non-appreciating assets have been sold since FY96.

Actively develop University land, consistent with market demands.

1. Develop a long-term plan for Gulf Coast timber management.

SOLM developed and implemented its "Strategic Plan for Gulf Coast Timber" in November 1997.

2. Identify and establish mechanisms to assist in the conversion of real estate assets to financial assets. Work with the Alaska real estate community to determine the most effective method to harness the creative efforts of real estate agents and developers to market and develop University real estate. Develop ground rules and procedures for partnering between the University and Alaska's private sector to develop University land.

SOLM has developed comprehensive resource and land sale programs. Alaska real estate professionals may participate in the sale and lease of certain parcels. SOLM successfully partnered with the City of Coffman Cove on a recent subdivision and continues to pursue other partnering opportunities.

3. Explore and develop marketing opportunities outside Alaska.

SOLM maintains an Internet website (<http://www.ualand.com>) which allows worldwide access to land information. The website is responsible for over 60 percent of all land inquiries, many of which come from outside Alaska.

4. University Public Trust Lands (PTL): A) offer the first recreational/residential sale of PTL within the first year of receipt of title to PTL, B) develop and offer one or two residential subdivisions of PTL, and C) offer the first commercial leases of PTL.

No University Public Trust Land has been received by the University.

5. Harvest 25 percent of the University's Gulf Coast timber.

All of the University's Gulf Coast timber has been sold and approximately 12 percent harvested to date. Future harvest schedules are dependent upon favorable market conditions.

6. Develop the lodge and hiking trail system west of Yakataga.

In the fall of 1998 SOLM issued a Request for Interest (RFI) concerning the development of the Hut-to-Hut project west of Yakataga. Response to the RFI is characterized as weak. Two other development options are being explored at this time. The first option is to enter into an agreement with the State of Alaska Division of Parks and Outdoor Recreation to develop the project. The second

option involves the purchase of an existing lodge facility. The project will proceed after these options are evaluated.

7. Offer for sale or development the balance of the University's Gulf Coast timber.

The balance of the University's Gulf Coast timber has been sold.

8. Develop two to four new recreational/residential subdivisions per year.

The Kasilof River, Peregrine Heights Phase II and Clarence Straits subdivisions were completed in FY98.

9. Lease at least one tourist-related commercial property per year.

Twenty commercial/tourist related properties are currently offered for lease as part of SOLM's land sale program. Discussions are underway for the lease of several properties but no contracts have been executed to date.

10. Lease at least 15 percent of mineral lands.

More than 15 percent of known mineral lands were under permit with an option to lease in FY98.

Increase the pool of developable land.

1. Identify, select and obtain title to 500,000 acres of University Public Trust Land from the State of Alaska, including the fee to land underlying the University's Gulf Coast Limited Timber Cutting Rights.

State land grant legislation was not passed in 1998.

2. Identify, select and obtain title to 250,000 acres of federal land.

Legislation was introduced in Congress in 1998 that, if enacted into law, would have granted the University at least 250,000 acres of federal land. Legislation did not pass.

Acquire additional urban commercial property and land/resources with near-term development potential.

1. When the Alaska Mental Health Trust Authority (AMHTA) has completed logging on its trust acreage between Icy Bay and Cape Yakataga, initiate discussions to acquire this property through purchase or trade.

The AMHTA timber harvesting will not be completed for at least 10 years.

2. Develop a policy and financing mechanisms for the acquisition of office, retail and industrial property in Anchorage, Fairbanks and Juneau (and other near-term income producing assets).

To date, SOLM has not developed formal policy and financing mechanisms concerning the acquisition of commercial properties. Potential commercial investments are reviewed on a case-by-case basis and the Land Grant Trust Fund has been used to finance or leverage financing for commercial acquisitions.

3. Acquire two urban commercial properties.

The University has acquired two urban commercial properties in Anchorage from Alaska Pacific University - the University Lake Building and the Vocational Rehabilitation Building. In addition, one commercial property, the former U.S. Natural Resources Conservation Service facility, on College Road in Fairbanks was acquired as a federal land grant selection.

Administrative and non-revenue.

1. Identify University land with liabilities or attractive nuisances; correct problems or dispose of property.

Real property is actively inspected by SOLM as time allows during the brief field season each year. SOLM identifies and prioritizes liabilities and attractive nuisances. Problems, which typically include trespass and illegal dumping, are resolved systematically based on urgency of the problem and availability of staff time.

2. Complete the design and installation of a Geographic Information System (GIS) that provides information and maps on all University real estate.

SOLM maintains an extensive Land Information System (LIS) and has limited GIS capabilities. GIS capabilities will be gradually expanded as more cost effective technologies are developed.

Financial forecast.

The Strategic Plan provided a gross revenue forecast for fiscal years FY96 through FY00. SOLM has met the target forecast to date as follows:

	Strategic Plan Forecast	Actual Gross Revenue
FY96	\$2.5 million	\$3.14 million
FY97	\$6.5 million	\$5.84 million
FY98	\$9.0 million	\$9.69 million

The Strategic Plan forecasts gross revenues for FY99 at \$7.5 million and FY00 at \$8.0 million.

1999 DEVELOPMENT PLAN

Major Projects

1999 Competitive Land Sale

The Statewide Office of Land Management (SOLM) will conduct its 1999 competitive land sale during the summer. Many of the properties currently being offered over-the-counter will be included in the sale. New offerings will include lots in McCarthy Creek Subdivision and several new subdivisions if the proposed subdivisions are completed by the time of the sale. At the conclusion of the competitive land sale, all unsold lots will be offered for sale over-the-counter.

Subdivision Developments

In 1999 SOLM will evaluate the feasibility of subdividing or joint venturing with qualified entities to subdivide several parcels throughout the state. Development may include all aspects of subdividing including, but not limited to, planning, platting, soils testing, engineering and construction. If financially feasible, several of the parcels will be subdivided as a joint venture or by SOLM. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter. If financially feasible and market conditions warrant, SOLM may proceed with the following subdivision developments:

Matanuska-Susitna Borough

One or two projects on land near Wasilla, Petersville Road, Big Lake, Talkeetna and Caswell Lake.

Haines Borough

One or two projects on land located along the Klehini River between approximately mile 20 and 30 of the Haines Highway.

Lake Minchumina

A 110-acre parcel, owned by the University of Alaska Foundation, located on the northeast shore of Lake Minchumina, east of Denali National Park.

Coffman Cove

Two parcels totaling approximately 100 acres located near Coffman Cove along Clarence Strait.

Sitka

The development and replat of Whitcomb Heights Subdivision, a 200-acre parcel located northeast of Sitka.

Juneau

A 300-acre parcel near Montana Creek in Juneau.

Strelna

Several large parcels near Strelna within the boundaries of the Wrangell-St. Elias National Park.

North Pole

A 180-acre parcel on the Chena River at Nordale Road.

Valdez

A 39-acre site on the Richardson Highway and Dylen Drive about 6 miles east of the City of Valdez.

Material Sale Request for Proposals

A Competitive Request for Proposals (RFP) will be issued for the lease of several material sale sites statewide. In addition, the RFP will provide for the lease of additional unidentified sites as demand warrants. Sites being considered for the RFP include rock pits in Coffman Cove, a gravel pit on Tolum Road on the Kenai Peninsula and an undeveloped parcel outside of Anchor Point. Sites not leased through the competitive RFP process will be available for lease to qualified proposers on a first-come first-served basis over-the-counter.

INVESTMENT PROPERTY PROJECTS

Northern Region

Banner Creek, Subdivision Evaluation & Offering, Richardson Highway

SOLM offered eight parcels for sale near Banner Creek at the old Richardson Townsite, 70 miles south of Fairbanks on the Richardson Highway between Delta and Quartz Lake. The eight parcels, totaling approximately 172 acres, were evaluated and grouped to increase marketability. One 40-acre parcel was sold in the 1998 Competitive Land Sale for \$20,100. The remaining parcels are being offered for sale over-the-counter.

Banner Creek, Trail Access Permit

SOLM secured an assignable permit, at no cost, from the Fairbanks North Star Borough for access to an isolated Banner Creek parcel. The permit was necessary to provide legal access to the property for marketing purposes.

Cantwell, Broad Pass Development

As time allows, SOLM will review the development and subdivision potential of properties in the Broad Pass area. If economically feasible, certain parcels will be subdivided either by SOLM or as a joint venture. Lots not used as compensation to joint venturers will be leased or sold competitively.

Fairbanks, Peregrine Heights Subdivision Phase II

In June 1998 SOLM completed Phase II of Peregrine Heights Subdivision located on the south facing slope of Chena Ridge at approximately 3-mile Chena Ridge Road in Fairbanks. The 117-acre development included 31 lots and over 7,000 lineal feet of constructed roadways. The lots were offered for sale in the 1998 Competitive Land Sale. Six lots were sold for a total of \$247,000 in cash and contract principal. The remaining lots are being offered for sale over-the-counter.

Fairbanks, U.S. Airforce Seismic Leases

SOLM leases three parcels of land north of Fairbanks as buffer zones for the benefit of U.S. Air Force Alaska Long Period Array seismic receiving stations. Through a separate agreement with the Air Force, data from the receiving stations located within the buffer zones is shared with the UAF Geophysical Institute. The leases, which were executed in 1988, are for terms of 20 years with two 5-year renewal options. Rent is adjusted every 5 years based on the appraised fair market value of the parcels.

Fairbanks, Chena Ridge Water Reservoir Lease

SOLM leases a 0.4-acre site on Chena Ridge adjacent to Yak Estates to a local utility company for a water reservoir. The lease is scheduled to expire in August 2025.

Fairbanks, College Road Lift Station Lease

SOLM leases a 0.07-acre site adjacent to the Aurora Motel off College Road to a local utility company for a utility lift station. The original 7-year lease expired in May 1998. SOLM negotiated a new 20-year lease effective May 13, 1998. The new lease includes scheduled rent increases every 5 years.

Fairbanks, College Road Land Lease

SOLM leases a 1.7-acre site off College Road to a local businessman who runs a motel on the property. The 55-year lease was executed by the State of Alaska in 1968 at a very favorable lease rate to the lessee. Given the very low rent on this property and the contractual limitations on increasing the rent, SOLM will review the feasibility of selling this property to the lessee or other parties interested in purchasing this land subject to the lease.

Fairbanks, U.S. Natural Resources Conservation Service Lease

The U.S. Natural Resources Conservation Service leases a 2,000 square foot facility located on a 2-acre parcel of land on College Road. The lease is for a term of 3 years and is scheduled to expire in December 2000.

Fairbanks, Peat Pit Lease

SOLM continues to lease a 150-acre commercial peat pit site located on College Road for material production and other related business activities. As required by the lease, a survey of the site was completed this year and an appraisal of the property will be conducted in the spring of 1999. The initial lease term of 10 years will expire in 2007. There are four options to extend for a period of 5 years each.

Fairbanks, Geist-Loftus Lease

SOLM continues to lease a 0.5-acre site on Geist Road for a drive-through espresso stand. This lease generates significant income and provides a good demonstration of the viability of the entire 8.4-acre Geist-Loftus site for future commercial development potential.

Fairbanks, Geist-Loftus Commercial Development

SOLM temporarily postponed marketing the long-term lease or sale of an 8.4-acre parcel located at the intersection of Fairbanks Street and Geist Road. The development of this parcel has been delayed to take advantage of a proposed State of Alaska Department of Transportation and Public Facilities (DOT&PF) intersection development scheduled for construction within the next few years. SOLM will proceed with the project when development opportunities are optimum.

Fairbanks, West College Road

This 2.3-acre commercial parcel is located near the corner of College Road and Farmers Loop Road. SOLM continues to rent three cabins located on the site until such time as the property is developed for commercial and/or educational purposes. Optimum development of the property requires the participation of adjacent property owners. Substantial development is contingent upon the completion of an intersection upgrade by DOT&PF and improved market conditions.

To consolidate and enhance the parcel's future development potential, SOLM will also pursue acquisition of any DOT&PF surplus lands resulting from the intersection project.

Fairbanks, Cache Creek Timber Harvest

In October 1997 SOLM issued an RFP for the sale of approximately 261 thousand board feet of spruce sawlogs and 92 hundred cubic feet of spruce utility logs located on 34 acres 20 miles northwest of Fairbanks. The contract for the sale of spruce logs was awarded to a local mill operator and was used to create local value added timber products.

Fairbanks, Henderson Road Evaluation

In response to interest from neighboring property owners, SOLM conducted a feasibility study evaluating options associated with a 40-acre parcel off Henderson Road. SOLM determined that due to very poor soils, subdivision development would not be feasible. In addition, several possible trespass problems affected the property. SOLM determined that the parcel was a non-appreciating asset and it was sold "as is" for \$91,100 in the 1998 Competitive Land Sale.

Fairbanks, Twin Buttes Mineral Exploration

La Teko Resources, Inc. continues to explore the University's Twin Buttes property, a 12,800-acre mineral property located 30 miles northeast of Fairbanks. During the spring and summer of 1998 SOLM entered into discussions with La Teko regarding renegotiation of some provisions in the current exploration agreement to make it easier for La Teko to attract exploration partners to the Twin Buttes property. Recently, La Teko announced that it will merge with Kinross Gold Corporation, a Canadian firm that holds a major interest in the Fort Knox property. SOLM anticipates that there will be further discussion with Kinross/La Teko regarding the current exploration agreement.

Fairbanks, Letter of Entry

In 1998 SOLM issued a letter of entry to the U.S. Forest Service (USFS) to access a number of treed University properties in the Fairbanks area to conduct research on birch decay. Upon completion of the project, the USFS will provide SOLM with a report on its findings.

Ferry, Subdivision

In response to market demand and to resolve a continuing trespass problem, SOLM is proceeding with the subdivision of two lots totaling approximately 60 acres near Ferry. No road construction is anticipated as part of this project. Lots will be offered for sale competitively. Lots not sold competitively will be offered over-the-counter.

Fox, Land Lease

In April 1995 SOLM executed the lease of a 20-acre parcel near Fox that allows the storage and manufacture of explosives used in nearby Fort Knox mining operations. In January 1998 SOLM granted a lease extension that provides for continued use of the site through September 5, 1999. SOLM intends to issue an RFP for lease of the site beyond that period.

Manley, Land Lease

SOLM leases a 1.35 acre site in Manley to an individual who executed the lease at a very favorable lease rate with the State of Alaska prior to University control of the property. Given the 55-year lease term, the very low rent on this property, and the contractual limitations on increasing the rent, SOLM will review the feasibility of selling this property to the lessee or other parties interested in purchasing this land subject to the lease.

Nenana, Trespass, Windy Hills Subdivision

A possible trespass has been identified in Windy Hills Subdivision approximately 30 miles south of Nenana. This subdivision was originally a paper-platted State subdivision with no constructed roads or other improvements. The University owns approximately 185 lots in this subdivision. To facilitate sales and determine the validity of the possible trespass, SOLM will contract with a surveyor to clear and brush certain lot lines and rights-of-way.

North Pole, Chena River Subdivision, Nordale Road

SOLM evaluated the potential of subdividing a 91-acre parcel on the Chena River at Nordale Road into recreational lots. Staff determined the property was more suitable for residential purposes and that a master plan and phased development of a larger 250-acre parcel and a possible 68-acre material site was the most financially attractive approach to this project. SOLM is proceeding with a master plan and Phase I of the residential development. Other phases of the project will be developed as market conditions warrant. Lots will be offered for sale competitively. Lots not sold competitively will be offered over-the-counter.

North Pole, Wrangell II Subdivision Enhancement

In 1998 power was extended to Wrangell II Subdivision, debris was removed and overgrowth adjacent to the roads was cleared to increase the marketability of this 70-lot subdivision. These enhancements were necessary to increase lot sales.

Southcentral Region

Anchorage, Lease of Portions of the Diplomacy Building

SOLM continues to manage the lease of 23,546 square feet of office space to the State of Alaska Department of Corrections, and the lease of 2,850 square feet of office space to the Alaska Science and Technology Foundation. The Department of Corrections lease, executed in January 1994, is for a term of 10 years and provides for annual CPI rent increases. The Alaska Science and Technology Foundation lease, executed in September 1993, expires in September 2000 and also provides for annual CPI rent increases.

Anchorage, Vocational Rehabilitation Building Lease

SOLM continues to lease the Vocational Rehabilitation Building, a 9,000 square foot office building located off Bragaw Street near the UAA Campus. The building has been leased to the

Alaska Division of Vocational Rehabilitation since September 1984. The lease provides for annual CPI rent increases and will expire on December 31, 2000.

Anchorage, University Lake Building Lease

SOLM continues to manage the University Lake Building, a 16,675 square foot office building located off Bragaw Street near the UAA Campus. Approximately 57 percent of the building is occupied by UAA, with the balance occupied by Statewide programs.

Cold Bay, Fuel Contamination

In June 1996 SOLM was notified that a pipeline associated with a fuel company tank farm in Cold Bay had ruptured releasing Jet-A fuel. Subsequently, hydrocarbon contamination was detected on an adjacent parcel owned by the University. SOLM is in contact with the environmental company hired to remediate the property and will continue monitoring the remediation process until the property is certified clean by the DEC.

Cold Bay, Contamination

In September 1997 the U.S. Army Corps of Engineers (COE) requested a letter of entry from SOLM authorizing the U.S. Government to access University property, located adjacent to the Cold Bay airport, for purposes of environmental investigation and response. The COE indicates they have evidence that the property was contaminated while in federal ownership. SOLM will continue to work with the COE in its efforts to evaluate, remove and remediate military waste from the property.

Copper Center, Commercial Development

The University owns approximately 1,500 acres of land adjacent to or near the new Wrangell-St. Elias National Park Visitor Center site on the Richardson Highway, near Copper Center. SOLM continues to evaluate the commercial potential of these properties and is actively pursuing commercial tenants to lease and develop portions of the land. The properties are being offered for lease over-the-counter and will remain available over-the-counter until offers acceptable to the University are received, or until such time as it is determined there will be a greater return on the properties through sales rather than leases.

Gulf Coast of Alaska, Hut-to-Hut Trail System

In June 1998 SOLM and the State of Alaska Division of Parks and Outdoor Recreation (P&R) jointly inspected possible sites for the location of a Hut-to-Hut Trail System along the Gulf Coast between Cordova and Yakutat. The trail system is required under an agreement executed as part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska* relating to the University's Gulf Coast timber rights. SOLM, P&R and the various litigants in the lawsuit have established that the preferred sites for the Hut-to-Hut project include the east side of the Bering Glacier and possibly the Cape Suckling area. P&R is interested in developing and managing the project. SOLM issued a Request for Interest to help identify alternative proposals that might offer better options for the development of this project. Response was generally weak. Two options are being explored at this time. The first option is to enter into an agreement with P&R to develop the project. The second option involves the

purchase of an existing lodge facility. Once these two options are reviewed and evaluated, the project will proceed. The project is tentatively scheduled to begin in 1999. In accordance with the terms of the settlement agreement, funds for this project in an amount not to exceed \$450,000, will be derived from Gulf Coast timber sale revenues.

Homer, Homer Red Meat Research Station

SOLM offered 788 acres of agricultural rights and 80 acres of improved property comprising UAF's old Homer Red Meat Research Station in its 1998 Competitive Land Sale. The facilities and improvements located on the property were originally constructed by the University in 1970 to use as a Red Meat Research Station. The property was decommissioned in 1984 and has been marginally maintained and occupied by caretakers and tenants over the years. Two offers to purchase the property were received as a result of the competitive sale. In October 1998 the Board of Regents authorized the sale to the highest bidder for \$425,000.

Homer, Land Exchange

SOLM continues to negotiate with the City of Homer for the exchange of University land surrounding the Bridge Creek reservoir for City land in downtown Homer. The City's property is adjacent to the proposed site of the future Kachemak Bay campus. Negotiations include consideration of \$75,000 granted by the City to assist the University in its acquisition of the new campus site, a beneficial consortium library agreement and an associated land lease agreement.

Iliamna Lake, Request for Proposals to Lease

The University owns a 1,350-acre parcel on the south shore of Iliamna Lake near Big Mountain. Staff evaluated the property for commercial development potential and SOLM is currently offering the parcel for lease, in whole or in part, in its over-the-counter lease program (a portion of the property would be well suited for lease as a lodge site). No offers have been received. Time permitting, the potential for developing portions of this property into recreational subdivision lots will be evaluated. If economically feasible, portions of the property will be subdivided either by SOLM or as a joint venture. As a joint venture, lots not used as compensation to joint venturers will be leased or sold competitively.

Iliamna Lake, Land Use Permit

In August 1998 SOLM issued a land use permit to a company to utilize an existing road located on University property near Iliamna Lake for staging and transporting equipment and supplies across the property to a communications site on Big Mountain. The permit was for a term of 30 days and provided for compensation to the University.

Kenai, Damon Plaza

SOLM continues to assist the Kenai Peninsula College and the Damon Memorial Fund Council in their efforts to lease commercial lots located in the Damon Plaza Subdivision fronting Kalifornsky Beach Road in Kenai. The lots have been available for lease since July 1996, but no proposals have been submitted. SOLM will continue to offer the property for lease over-the-counter.

Kenai Peninsula, Kasilof River Subdivision Developments

Staff has reviewed the development potential of five tracts along the Kasilof River on the Kenai Peninsula. In 1998, the University's 57-acre tract with 15 lots was surveyed and offered for sale. Fourteen lots totaling \$346,402 have been sold. One lot is being offered for sale over-the-counter. Much of the remaining property is not economically feasible for subdividing into smaller parcels at this time. SOLM will continue to monitor developable parcels for future development. Portions of the property that are determined to be non-appreciating will be offered for sale competitively.

Kenai Peninsula, Anchor Point Timber Sale

SOLM has identified 11 parcels in the Ninilchik to Homer area containing commercial spruce stands that are at high risk for spruce bark beetle infestation. Preliminary estimates indicate that one or more timber sales that would total 12 million board feet (MMBF) of sawlogs and pulp logs on 1,200 acres could be offered from these parcels. The sale area will be refined after further fieldwork is performed. The silvicultural prescription being considered for these stands calls for leaving spruce trees seven inches and smaller in diameter (those trees are less susceptible to beetle attack) and scarification and inter-planting with spruce to encourage restoration of forest health. Although pulp markets have not improved, work will continue on this sale. The spruce bark beetle continues to infest this area and most of the timber will be dead within the next two years. The project is necessary to minimize fire danger and restore forest health.

Kenai Peninsula, Timber Sale

In April 1995 SOLM entered into a contract with a local timber operator to harvest 12 MMBF of bark beetle infested spruce on University property on Falls Creek Road near Ninilchik. The timber harvest has been completed and the contractor will complete scarifying or planting the harvest units in the spring of 1999. The contract expires on May 31, 1999.

Kenai Peninsula, Falls Creek Road Land Use Permits

SOLM administers several land use permits authorizing various timber operators to haul logs and wood chips across University land to the Sterling Highway near Clam Gulch. SOLM also responds to several requests per year for administrative and personal access permits along this road.

Kenai Peninsula, Land Use Permit

In November 1998 SOLM issued two land use permits to an exploration company to conduct seismic exploration on University land south of Kenai. The permit was for a term of 14 weeks and provided for fair market compensation to the University. The exploration data is available to the University.

Kenai Peninsula, Land Use Permit

SOLM has issued land use permits to various seafood companies to operate a buying and receiving station on its property on the Sterling Highway near Clam Gulch since 1989. Most recently in 1997, SOLM issued a land use permit to a company based in Kenai that allowed it to

operate a seasonal fish buying and receiving station. This permit was terminated by the permittee prior to the 1998 season. SOLM will continue to offer the property on a first-come, first-served basis.

Kenai Peninsula, Letter of Entry

SOLM issued a letter of entry to the State of Alaska Department of Fish & Game (ADF&G) in August 1996, which allowed ADF&G to access University property near Ninilchik in order to conduct a water quality monitoring project on the Ninilchik River. ADF&G's effort was completed and the letter of entry expired on July 1, 1998.

Kodiak, Kodiak Campus Commercial Development

In June 1993 the Board of Regents authorized the negotiation of the lease of approximately 7 acres of Kodiak campus property as a site for the construction of a supermarket. The proposed project involved rezoning and replatting approximately 19 acres of land from public use to commercial use. The project was subsequently put on hold. SOLM continues to pursue other potential lease opportunities for the site. If a project proceeds, it will be sited and constructed so that it allows the University to maintain flexibility for future development of the campus.

Nabesna, Orange Hill Unpatented Mineral Claims

The National Park Service (NPS) conducted a validity exam on the University's Orange Hill unpatented mining claims during the summer of 1998. The claims, located within the boundaries of the Wrangell St. Elias National Park, were originally donated to the University in August 1996 and annual assessment work has been maintained by the University ever since. The NPS anticipates finalizing the validity exam in 1999.

Nabesna, Orange Hill Patented Claims

In March 1998 a company submitted an offer to convey to the University a one-third interest in 363 acres of patented mining claims adjacent to the University's Orange Hill mining claims. The offer was contingent upon significant financial and time commitments on the part of the University. The offer was subsequently withdrawn and SOLM's evaluation of the property was suspended.

Nuka Island, Request For Proposals to Lease

SOLM will continue to accept over-the-counter proposals to lease University land on Nuka Island located 40 miles southeast of Homer. This property is best suited for a remote lodge. The proposals submitted to SOLM to date have not met the minimum terms and conditions set out in the over-the-counter RFP.

Southcentral, Letter of Entry

In April 1997 SOLM granted the USFS a revocable letter of entry to access several University properties in Southcentral Alaska to conduct tree-related studies. Upon completion of the project in October 2003, the USFS will provide SOLM with a report on its findings.

Upper Ugashik Lake, Resort Development

The University owns several parcels along the northeast shore of Upper Ugashik Lake ranging in size from 8 to 80 acres. The parcels are being offered for lease over-the-counter and will remain so until offers acceptable to SOLM are received, or until such time as staff determines there will be a greater return on the property through sales rather than leases. In that event, the property will be offered for sale on a competitive basis.

Valdez, Falcon Crest Subdivision

In 1998 SOLM evaluated the feasibility of subdividing approximately 39 acres on Richardson Highway and Dylen Drive approximately 6 miles east of Valdez. As a result of the feasibility study, SOLM concluded that a phased residential subdivision would be most practicable. Phase I of this project will proceed as market conditions warrant.

Valdez, Falcon Crest Contamination

In December 1996 the City of Valdez advised the University of a diesel spill at the City's Robe River Subdivision well-house located off Richardson Highway on Dylen Drive approximately 6 miles east of Valdez. Contaminated soils from the spill were detected on a small portion of University land adjacent to the well-house. SOLM issued the City a permit for purposes of environmental investigation, excavation, removal and disposal of contaminated soils. SOLM continues to monitor the City's efforts to remediate the property.

Valdez, Port Valdez Subdivision Development

The University owns a 73-acre tract located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez. Time permitting, staff will evaluate the feasibility of subdividing or joint venturing with qualified entities to subdivide the property. If financially feasible and market conditions warrant, SOLM will proceed with one or more projects on the property. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter.

Valdez, Port Valdez Residential Lease

SOLM continues to lease a cabin located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez. Access to the property is by water only. The tenant maintains the cabin and pays market rent.

Valdez, Exxon Valdez Oil Spill Acquisitions

Between February 1994 and July 1996, SOLM recommended eight parcels of University land located statewide for sale to the Exxon Valdez Oil Spill Trustee Council (EVOS) as part of its Comprehensive Habitat Protection Purchase Program. Three parcels near Valdez were ultimately selected, including U.S. Survey No. 447, U.S. Survey No. 448 and Jack Bay. These parcels are described below:

U.S. Survey 447

This 30-acre parcel is located south of the Richardson Highway near Meals Avenue adjacent to the Valdez Duck Flats. The sponsoring agency for this purchase is the USFS.

A portion of the property was approved for purchase by EVOS. The remaining portion, currently under lease as a communication site, will remain in University ownership. An appraisal of the property has been completed on behalf of the USFS and submitted to SOLM. SOLM is reviewing the appraisal and will continue to work with the USFS and EVOS in their efforts to acquire the property. If the parties can reach mutually agreeable terms, the sale will be closed.

U.S. Survey 448

This 32-acre parcel is located north of the Richardson Highway approximately one mile east of Valdez. The sponsoring agency for this purchase is the USFS. A portion of the property has been leased to the USFS as a public information facility site since September 1993. An appraisal of the property has been completed on behalf of the USFS and was recently submitted to SOLM. SOLM is reviewing the appraisal and will continue to work with the USFS and EVOS in their efforts to acquire the property. If the parties can reach mutually agreeable terms, the sale will be closed.

Jack Bay

This 942-acre parcel is located approximately 12 miles southwest of Valdez on the southeast end of Valdez Narrows. The sponsoring agencies for the purchase are the Alaska Division of Parks and Outdoor Recreation and the USFS. No offer or appraisal of the property has been submitted to SOLM for review. If an offer is submitted and the parties can reach mutually agreeable terms, the sale will be closed.

Valdez, Ground Lease

SOLM continues to manage a ground lease, executed in 1997 for a 6,250 square foot communication site. The parcel is located on a hill south of the Richardson Highway near Meals Avenue on the north end of U.S. Survey 447. The lease is for a term of 10 years and provides for annual CPI adjustments.

Valdez, Land Use Permit

SOLM continues to manage a 5-year non-exclusive land use permit issued to DOT&PF in October 1998. The permit allows DOT&PF to store snow on two lots located on the corner of Eagan Avenue and Tatitlek Avenue. SOLM has waived permit fees in return for soils remediation work at the Prince William Sound Community College.

Valdez, Land Use Permit

SOLM continues to manage a 5-year non-exclusive land use permit issued to the City of Valdez in July 1997. The permit allows the City to use portions of two University lots located on the corner of Eagan Avenue and Tatitlek Avenue for a City-sponsored beautification project. One corner of each lot will be used for placement of benches, planters and a kiosk.

Valdez, Land Use Permit

In January 1993 SOLM issued a 10-year non-exclusive land use permit authorizing the City of Valdez to use skiing and hiking trails located on a 120 acre University parcel approximately 1

mile northwest of Valdez. In consideration for the permit, the University received a permanent access easement from the City benefiting another University property in Valdez.

Valdez, Land Use Permit

SOLM continues to manage a 10-year non-exclusive land use permit issued to the City of Valdez in January 1993. The permit allows the City of Valdez to store snow on several University lots located on Chenega Avenue and Pioneer Drive.

Valdez, Land Use Permit

In March 1998 SOLM issued a three-and-one-half-year non-exclusive land use permit to the owner of an apartment complex in Valdez. The permit allows the company to utilize a small portion of a University lot fronting Alatna Street as a parking lot. The permit provides for fair market compensation to the University and requires the permittee to fully restore the property at the end of the term.

Valdez, Port Valdez Land Use Permit

SOLM continues to manage a non-exclusive 5-year land use permit issued in May 1997 to Alyeska Pipeline Service Company for installation of an oil exclusion boom anchor and utilization of the anchor during spill events or periodic training exercises. The property is located approximately 1 mile west of Valdez near Mineral Creek, overlooking Port Valdez.

Valdez, Trail Easement

In January 1998 SOLM issued a non-exclusive easement to the Alaska Division of Parks and Outdoor Recreation (P&R) which allows P&R to construct a public trail across University property 2 miles west of Valdez. The easement allows P&R to connect Shoup Bay Trail from Gold Creek to the City of Valdez. The 25-foot wide trail was designed and constructed to cause the least impact possible to the property.

Wasilla, Trespass Resolution

SOLM negotiated the sale of a small strip of land to an adjacent property owner to resolve a trespass driveway on an 80-acre parcel located on Church Road approximately 3 miles west of Wasilla. The adjacent property owner was required to advertise the transaction for public comment, subdivide the property in accordance with local platting regulations and purchase the parcel at fair market value.

Wasilla, KAKM Lease

SOLM continues to manage a ground lease, executed in 1985, which allows Alaska Public Television, Inc. (KAKM) to operate a transmission tower on University property near Goose Bay through the year 2009. The lease provides for a base rent, a percentage of sublease rents and periodic market adjustments.

Wasilla, Access

The University owns a 40-acre land-locked parcel off Schrock Road approximately 3 miles north of Wasilla. In September 1998 an adjacent property owner submitted a preliminary subdivision

plat to the Matanuska-Susitna Borough Platting Board for approval. To avoid further isolation of the University's property, SOLM requested that the Platting Board condition approval of the plat on dedication of a public access road to serve the University's parcel. The plat was approved, subject to access dedication. SOLM is working cooperatively with the adjacent property owner to locate the road in a mutually acceptable location. Platted access will provide the University with the ability to develop the parcel to its full potential.

Wasilla, Contamination

In September 1998 the State of Alaska Department of Environmental Conservation notified SOLM that they had investigated and verified a report of a barrel of possible hazardous material that had been dumped on University property off Pitman Road, 3.5 miles northwest of Wasilla. A site inspection by staff revealed two barrels. The material was tested and a contractor was hired to properly dispose of the hazardous materials.

Yakutat, Gulf Coast Timber Sale #1

In fall 1995 SOLM sold GCTS#1 which is comprised of approximately 50 MMBF of sawlogs and 23 MMBF of utility logs from the Yakataga and Substitute timber tracts (Gulf Coast region). This timber sale will harvest approximately 2,000 acres of commercial timberland within the Yakataga and Substitute timber rights areas. This sale also required construction of 28 miles of new mainline haul road, reconstruction of 6 miles of mainline haul road, and construction of one major bridge. Subsequently, SOLM participated in a seven-month administrative appeal and litigation brought by an aggrieved proposer. The uncertainty raised by the appeal delayed the start of operations until August 1996. Although the University position was upheld before the Alaska Superior Court, the case is now being appealed to the Alaska Supreme Court. Full-scale operations were underway during 1997 but have tapered off during 1998 due to a poor worldwide timber market. As a result of litigation delays and the market decline, the University has granted the purchaser a three-year harvesting extension. To date, more than 50 percent of the sale has been harvested and operations will continue as the market improves.

Yakutat, Gulf Coast Timber Sale #2

GCTS#2 was sold in October 1998. This sale includes all of the remaining University timber in the Gulf Coast region. The sale volume was 237 MMBF on approximately 9,100 acres of commercial timberland within the Substitute timber rights tract. This timber sale requires the construction of 88 miles of new mainline haul road and five major bridge crossings. The purchaser will have 15 years to harvest the timber, with provisions to extend the term if operations are suspended during significant market downturns. There are also provisions in the contract to escalate the stumpage price as the timber market improves and to require the purchaser to sell logs into domestic markets when they receive offers that are competitive with the export market.

Yakutat, Employment Agreement

SOLM and its GCTS purchaser continue to work with Yakutat community representatives to comply with an agreement executed as part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska*. The agreement is intended to

encourage local hire and job training, as well as the coordination of hiring efforts between the University's timber contractors and the Yakutat work force.

Southeast Region

Cape Bingham, Land Exchange

As part of the Settlement of *City of Yakutat et.al. vs. Alaska Department of Natural Resources and the University of Alaska*, the University was required to grant the USFS a 10 year option to purchase or exchange its Cape Bingham parcel at fair market value. The University entered into an agreement with Goldbelt, Inc. to facilitate a three-way exchange of this property to the USFS. The agreement with Goldbelt expired April 15, 1998. Goldbelt was unable to resolve issues related to the split estate (DNR owns the subsurface estate) with USFS and DNR. Goldbelt may be willing to attempt to facilitate this exchange in the future, if they sense a change in the motivation of either the USFS or DNR. SOLM will continue to seek opportunities to maximize the benefits associated with this parcel to the University.

Coffman Cove, Timber Sale #1

In September 1997 SOLM issued an RFP for Coffman Cove Timber Sale #1 located on the east side of Prince of Wales Island. The contract was subsequently awarded to Silver Bay Logging, Inc. out of Sitka. The sale included a sawlog volume of 5.4 MMBF with a value of \$1.9 million. Final scaling was completed during September and the sale has been closed.

Coffman Cove, Timber Sale #2

In May 1998 SOLM issued an RFP for Coffman Cove Timber Sale #2 located adjacent to Coffman Cove Timber Sale #1. The sale contained timber that would have been uneconomic to harvest using conventional logging equipment. A spike in the low grade red cedar market in Washington state in early 1998 resulted in stumpage prices nearly doubling, making this project feasible. The sale salvaged 1.8 MMBF of red cedar logs by selective helicopter logging. The sale was completed in October and generated \$500,000.

Coffman Cove, Clarence Straits Subdivision

In June 1998 SOLM completed the subdivision of approximately 40 acres along Clarence Strait, one mile south of the City of Coffman Cove. The property was developed in conjunction with an adjacent parcel owned by the City. The completed subdivision included 22 lots owned by the University and seven lots owned by the City. Sixteen of the University's lots have been sold for a total of \$320,835. The remaining lots are being offered for sale over-the-counter.

Coffman Cove, Request for Proposals to Lease

SOLM continues to offer four commercial parcels near Coffman Cove for lease over-the-counter. A portion of one of the properties is under consideration by the City and the Inter-Island Ferry Authority as a possible site for a new ferry dock. SOLM will continue to monitor developments relating to the ferry dock. If an acceptable offer is received over-the-counter for the proposed

ferry facility or other venture, SOLM will proceed with negotiations and enter into appropriate agreements.

Edna Bay, Edna Bay Timber Sale

When timber markets improve, SOLM will prepare and offer a timber sale on the southwest corner of Kosciusko Island, a few miles southwest of the community of Edna Bay in Southeast Alaska. This proposed timber sale includes approximately 500 acres of commercial timber that has a total estimated sawlog volume of 12 MMBF. This parcel was previously logged in the 1930s and the 1960s under federal management. There is an existing road network near the sale area that terminates at the Cape Pole log transfer facility and logging camp on USFS lands. Some of the harvest units may be harvested using conventional cable logging systems and others may be selectively harvested by helicopter.

Haines, North Chilkat Subdivision Phase II

SOLM completed Phase II of North Chilkat Subdivision located approximately 25 miles northwest of Haines in June 1998. Phase II was comprised of 12 lots, approximately 650 lineal feet of new road construction and general improvements to over a mile of an existing substandard road system. Nine of the 12 lots offered in the 1998 Competitive Land Sale were sold for a total of \$299,476. The remaining lots are being offered for sale over-the-counter.

Haines, Material Lease

A 40-acre commercial material site located approximately 25 miles northwest of Haines on the Haines Highway was offered for lease in the 1998 Competitive Land Sale. One offer was received and SOLM is negotiating with the offeror to finalize a lease. If terms that are mutually agreeable to both parties are reached, a lease will be executed. If no agreement is reached, the property will be offered for lease over-the-counter.

Haines, Trespass Resolution

SOLM advertised the proposed direct sale of a parcel within North Chilkat Subdivision to resolve an encroachment problem with an adjacent property owner. No comments were received as a result of the public notice. The lot was sold at fair market value for \$37,500.

Ketchikan, Land Use Permit

SOLM issued a land use permit in May 1997 which allows a company to conduct commercial daytime guided hiking tours on an existing trail system on University property at Lunch Creek, approximately 15 miles northwest of Ketchikan. The permit was issued for a term of 3 years and provides for a base fee, plus a per person payment to the University.

Ketchikan, Land Use Permit

In December 1994 SOLM issued a land use permit authorizing a homeowner to utilize an existing earthen dam and domestic water pipeline system constructed in trespass on University property one mile south of Ketchikan. The property was subsequently sold and the new owner discontinued use of the pipeline. In accordance with the permit, the pipeline was removed and the property was restored to its original condition.

Ketchikan, Trail Easement

SOLM will continue to work with trail organizations or public entities that may be interested in legitimizing the public's use of an existing trail on University property at Lunch Creek. SOLM will consider the possibility of either a fair market sale of a trail easement, or the trade of the entire parcel.

Ketchikan, Letter of Entry

In May 1998 SOLM issued a letter of entry to the Ketchikan Gateway Borough to conduct a one day guided hiking and bird interpretation tour on an existing trail system located on University property at Lunch Creek.

Ketchikan, Right-of-Way Permit

SOLM continues to manage a right-of-way permit issued by the State of Alaska in 1988. The permit allows an adjacent commercial property owner to maintain a waterline and boardwalk within a 20-foot wide corridor across University property approximately 65 miles west of Ketchikan on Prince of Wales Island. The permit allows for periodic fee increases and terminates on July 18, 2013.

Petersburg, Government Lease

SOLM continues to manage the lease of a portion of the old Petersburg fur farm to the USFS as an administrative site. The 4-acre lease parcel is located off Mitkof Highway about 8 miles south of Petersburg on the Wrangell Narrows. The lease was originally executed in 1978 for a term of 40 years and will expire on June 30, 2017.

Petersburg, Residential Lease

SOLM continues to lease a large house located on the old Petersburg fur farm property on the Mitkof Highway about 8 miles south of Petersburg. The tenant maintains the property and pays market rent. The property has been leased to various tenants for residential purposes since 1988.

Sitka, Whitcomb Heights II Subdivision

The University owns a 193-acre tract located on a bench about 2.5 miles northwest of downtown Sitka. SOLM recorded a 16 lot, Phase I subdivision plat on a portion of this property in November 1992. Roads for Phase I of the project are in place. Further development of the property was delayed pending resolution of the Mental Health Trust Litigation encumbering the property. The litigation was recently resolved and the Mental Health Trust *lis pendens* was removed. SOLM continues to evaluate market conditions and the feasibility of extending or joint venturing to extend utilities to Phase I of the subdivision. In addition, SOLM continues to monitor the feasibility of subdividing or joint venturing with qualified entities to subdivide additional phases of this project. Lots not used as compensation to joint venturers will be leased or sold competitively. Lots not leased or sold will be offered over-the-counter.

Sitka, Rodman Bay

The University owns a 55-acre parcel on Rodman Bay, approximately 30 miles north of Sitka on the north end of Baranof Island. The property is being offered for lease over-the-counter and will remain available over-the-counter until offers acceptable to the University are received, or until such time as staff determines there will be a greater return on the property through sale rather than lease.

Statewide

1998 Competitive Land Sale

SOLM opened its 1998 Competitive Land Sale on August 2, 1998. Over 400 lots were offered for sale or lease throughout the state of Alaska. SOLM received several thousand requests for information through its mail-in newspaper advertisement campaign and via SOLM's Internet website. SOLM distributed approximately 4,000 brochures and subdivision information sheets to the public during the six-week advertising period. At the close of the sale on September 17, 1998, SOLM had received a total of 46 offers on 36 lots. Thirty-six lots were sold with gross sales totaling \$1,551,971. Of those, 12 were cash sales totaling \$780,979. The remaining 24 sales were financed with \$87,751 down, and the remaining \$683,241 on five to twenty year deeds of trust, with an interest rate of 9.5 and 10 percent per annum.

Over-the-Counter Land Sales

Approximately 450 lots with a value of over \$7.7 million are currently being offered for sale over-the-counter. In FY98, SOLM sold 67 lots over-the-counter. Gross sales totaled \$1,424,964, including 18 cash sales totaling \$236,645. The remaining 49 lots were sold with \$171,461 down, and \$1,016,858 financed on five to twenty year deeds of trust, with interest at 9.5 and 10 percent per annum.

Contract Administration

As of June 30, 1998, SOLM was administering 326 real estate contracts with a principal balance of \$4,558,003. Of those contracts, there were: 118 land contracts which were assigned to the University by the State of Alaska in 1988, as part of Settlement II, with an outstanding principal balance of \$713,517; 191 deeds of trust from University land sales with a principal balance of \$3,688,728; and 17 University of Alaska Foundation deeds of trust with a principal balance of \$155,758.

Land Sales/Contract Closings

SOLM processed 97 land sale closings in FY98. Closings involve reviewing and accepting offers, executing purchase agreements, qualifying buyers, preparing, executing and recording quitclaim deeds and deeds of trust, and preparing and executing deed of trust notes, requests for reconveyance and all escrow instructions. SOLM also prepared, executed and recorded approximately 19 fulfillment quitclaim deeds in FY98 after receiving full payment for land sale contracts transferred to the University under Settlement II with the State of Alaska.

Termination of Contracts/Foreclosures

In addition to the 326 real estate contracts administered by SOLM during FY98, one deed of trust with a principal balance of \$14,990 was foreclosed and seven quiet title actions resulting in six default judgments totaling \$22,138 were completed. SOLM has no outstanding quiet title actions on land contracts and one outstanding deed of trust foreclosure. FY98 receipts on default judgments totaled \$32,748, leaving a principal balance of \$150,516.

Mineral Development

SOLM continues to accept proposals on an over-the-counter basis for mineral exploration and development on University properties greater than 40 acres in size, if the property is determined by SOLM to be suitable for mineral development.

Land Information System/Geographic Information System

SOLM continues to update its LIS and GIS as new cost effective technology becomes available. The system includes an extensive database of University land with the ability to store and view scanned documents, drawings, plats, aerial photography, orthophotography and map images. The system is networked so information can be accessed by staff in SOLM's Fairbanks and Anchorage offices.

Regulations

Draft regulations consistent with Regents' Policy on Real Property have been developed and are being circulated.

Fiber Optics Working Group

At the request of the Governor's Office, SOLM is participating in a working group responsible for reviewing existing fee structures for the use of State lands for fiber optic facilities. The purpose of the group is to discuss existing practices, explore alternative approaches and address the challenges associated with developing a consistent policy for use of State land for fiber optic facilities.

Lotowners' Associations Established

SOLM established lotowners' associations for Peregrine Heights, Letnikof Estates and North Chilkat subdivisions. Organization of the associations included drafting and adopting Articles of Incorporation, Bylaws and Covenants. In addition, SOLM initiated and administered organizational meetings and minutes required to transfer responsibilities relating to the associations to the new lot owners.

Federal Land Bill

Senator Frank Murkowski will reintroduce legislation in February 1999 proposing to grant the University an additional 250,000 acres of federal land in Alaska. In addition, the bill provides for an acre-for-acre matching grant of up to 250,000 additional federal acres, if the State of Alaska passes legislation providing the University with a State land grant. A provision is included in the bill requiring the University to convey to the United States approximately 12,000 acres of University in-holdings in Federal Conservation System Units.

UNOCAL Pioneer Unit Gas Lease, Mat-Su

SOLM has reached an agreement, in principle, to lease approximately 1,500 acres of subsurface methane gas rights in the Wasilla area to Unocal. Negotiations have stalled due to a possible buyout of Unocal. SOLM will continue negotiations and execute a lease at the earliest possible date.

Land Contract Litigation

In September 1994 a class action lawsuit was filed in the First Judicial District in which the University of Alaska and DNR were named as defendants. The lawsuit involved the alleged breach of land sale contracts entered into by the plaintiffs. The contracts between the plaintiffs and DNR were transferred to the University as part of Settlement II in 1987. The lawsuit sought to void the conveyances to the University and require the State to issue patents rather than quitclaim deeds for conveyed property. The lawsuit also sought damages for alleged improper charges of certain fees and late payment penalties. Outside counsel was hired to represent the University in this action. In August 1995 counsel filed a Motion for Summary Judgment in the case claiming the plaintiff had provided no legal or factual basis for the requested relief. In April 1996 an order was signed granting Summary Judgment in favor of the University and DNR. The plaintiff appealed the judge's decision to the Supreme Court. The case is currently under consideration by the court with a decision expected in mid-1999.

Native Allotments

Native allotments in excess of 1,000 acres exist on various University parcels. It has been determined that certain allottees had antecedent rights to this land, prior to the Bureau of Land Management (BLM) conveying title to the State of Alaska for the benefit of the University. The University had previously agreed to reconvey the native allotment parcels to BLM upon approval of replacement land selected by the University. However, BLM has now restricted selections to surveyed land (of which few parcels are available). SOLM continues to work with the State and BLM to reach an agreement which either requires BLM to commit to surveying replacement lands already selected by the University, or provide a priority selection to the University for withdrawals that are released on existing surveyed lands. This complication continues to delay resolution of the issue.

Grant Land Selections

SOLM continues to work with DNR and BLM to provide the University with its remaining entitlement of approximately 580 acres due under the Congressional Act of 1929. DNR has filed several land selections with BLM on behalf of the University. Two selections, a small (.14 acre) island on Cottonwood Lake in Wasilla and a 5-acre parcel at the tip of an island in Salt Chuck Bay near Prince of Wales Island, have been patented to the State of Alaska for conveyance to the University. BLM continues to recommend and review other selections for conveyance to the University. A decision by BLM restricting University selections to surveyed land has caused delays in completing the University's entitlement. Other selections filed on behalf of the University include parcels in Petersburg, Mountain Point, Revillagigedo Island, Security Bay, Kuiu Island and on the Denali Highway. SOLM will continue to monitor federal withdrawals as

they become available and will substitute new properties for previous selections if it is in the University's best interest.

Title Administration

The State of Alaska did not provide title insurance when conveying land to the University. To eliminate the risk of conveying properties with title problems, SOLM provides title insurance as part of its over-the-counter and competitive land sales. In addition, SOLM continues to work with the State to release or make more specific the deed restrictions on numerous properties requiring the University to provide public access to all public water bodies prior to conveying or developing the properties.

Regeneration Surveys

Approximately 1,200 acres of the White River Timber Sale in the Icy Bay area were surveyed for regeneration in 1998. Although extension of the field data is incomplete, preliminary indications are that regeneration requirements under the Forest Resources and Practices Act have been exceeded. A regeneration survey of the Tolum Road Timber Sale on the Kenai Peninsula will be conducted next year.

General Property Evaluations

Consistent with the Strategic Plan for University property, approved by the Board of Regents in 1996, staff continues to reevaluate the highest and best use of University property and identify those parcels which have inherent liabilities, are an attractive nuisance or have no anticipated appreciation potential, and therefore should be considered for disposal.

EDUCATIONAL PROPERTY PROJECTS

University of Alaska Anchorage

Anchorage, Merrill Field Lease

SOLM continues to manage the lease of 8 acres located on Merrill Field. The Merrill Field site is leased from the Municipality of Anchorage for use as the UAA Aviation Science Facility. The lease is due to expire in 2035.

Anchorage, 7th & A Street Building Lease

SOLM continues to manage the lease of 4,738 square feet of office space in the 7th & A Street Building for use by the Alaska Department of Education. The lease was originally executed in 1990 and will terminate on September 4, 1999.

Anchorage, Easement, Student Housing

SOLM granted an easement to the Municipality of Anchorage to allow bus transit improvements along Bragaw Street near the new UAA student housing complex. As part of the project, the municipality also constructed a sidewalk along a portion of Sharon Gagnon Lane.

Anchorage, Easement, Diplomacy Building

SOLM granted an easement to the Municipality of Anchorage for transit improvements on Tudor Drive in front of the Diplomacy Building. The transit stop is now handicap accessible.

Copper Center, Land Donation, PWSCC

An individual offered to donate a 32-acre parcel near the Edgerton Cutoff on the Richardson Highway for the benefit of Prince William Sound Community College. Prince William Sound Community College and UAA chose to accept the donation. After review, SOLM worked with the donor to convey the property to the University.

Kodiak Campus, Easement

The City of Kodiak requested that the University grant an easement for Woody Way road improvements. The University will grant the easement in exchange for a waiver of the road improvement district assessment being levied on University properties benefiting from the improvements. This project is currently on hold until the City is ready to move forward.

UAA Campus, Letter of Entry

SOLM issued a letter of entry to the Municipality of Anchorage to allow the municipality to survey for the proposed Chester Creek Trail eastern route. The work took place on the far eastern edge of the UAA campus.

University of Alaska Fairbanks

Copper Basin, Land Use Permits

SOLM assisted a Geophysical Institute researcher in obtaining permission to use State, federal and private land for auroral magnetic research.

Denali National Park, Sale of Stampede Mine

In the fall of 1997 the United States Congress passed a law providing a mechanism for the National Park Service (NPS) to buy the University's interest in the 71-acre Stampede Mine property located within Denali National Park. The University's interest in the mine consisted of mineral rights restricted to educational purposes. SOLM completed the sale of the Stampede Mine to the NPS for \$300,000.

Fairbanks, Poker/Caribou Creeks Watershed Lease

UAF researchers have used a 20,000-acre tract of State land located about 30 miles north of Fairbanks for research since 1967 under an informal cooperative agreement with the State of Alaska. Research equipment, trails and other improvements have been placed on the site. The State Department of Natural Resources (DNR) has requested that the University formalize its use of this land by entering into a lease or other agreement with the State. SOLM is working with UAF researchers and DNR to execute an agreement.

Fairbanks, West Valley Subdivision, UAF Campus

The Fairbanks North Star Borough (FNSB) has leased land at the southeast corner of the UAF campus since 1970 for West Valley High School, Hutchison Career Center and University Park School. In September 1994 the University negotiated a new lease agreement with the FNSB which provides for the continued lease of an 11-acre tract for Hutchison Career Center, a 52-acre tract for West Valley High School, and the release of the balance of the land, including the old University Park School, back to the University. The new 1994 lease requires that the above referenced tracts be properly subdivided by the FNSB. SOLM has reviewed the preliminary subdivision plat and continues to work with the FNSB and local utility companies to resolve easement issues related to the tracts. Prior to signing the subdivision plat, SOLM will execute easements for existing utilities and an access road on the property. SOLM also intends to execute a lease amendment to provide the FNSB with an extension of the deadline for concluding the subdivision in order to identify the location and width of all existing utilities and to negotiate and execute easements for the utilities and access prior to recording the subdivision plat.

Fairbanks, Hutchison Career Center, UAF Campus

UAF and the Fairbanks North Star Borough (FNSB) are jointly developing an addition to and renovation of the Hutchison Career Center (HCC) for joint use as both a stand alone vocational-technical high school and a modernized UAF Tanana Valley Campus career training facility. HCC is located on an 11-acre tract of land at the southeast corner of the UAF campus. The land,

along with the adjacent tract under lease to the FNSB for the West Valley High school, has been leased to the FNSB by the University since 1970 for school purposes. If the HCC renovation and addition project is funded and constructed, SOLM will negotiate a lease extension with an adequate term to cover the FNSB's bonding requirements.

Fairbanks, Temporary Construction Permit, UAF Campus

SOLM issued a temporary construction permit to DOT&PF for the construction of the new College Road/University Avenue intersection to serve the UAF campus. Construction is scheduled for 1999.

Fairbanks, Bender Mountain Antenna Collocation

The University's public radio and television (KUAC) transmission tower is currently located on Cook Inlet Region, Inc. property on Bender Mountain north of Farmers Loop Road. The transmission tower permit is scheduled to expire in April 2001. In 1997 several local broadcasters approached the University with a request to collocate broadcasting facilities on the University's Bender Mountain property, a 2.5-acre parcel adjacent to the existing tower site. At this time the one broadcasting company still interested in collocation is being sold to a third party. All progress on collocation is on hold until after the sale is completed in January of 1999. If the relocation and collocation project does not materialize, SOLM will work with KUAC to negotiate with Cook Inlet Region, Inc. for an extension of the existing permit agreement.

Fairbanks, Land Use Permit

SOLM obtained a land use permit from the State of Alaska for UAF researchers to conduct a controlled burn on a 2,200-acre parcel of land located about 30 miles north of Fairbanks. UAF researchers are working jointly with State and federal agencies on the project.

Fairbanks, Land Use Permit

SOLM obtained a land use permit from Golden Valley Electric Association (GVEA) which allows University researchers to access GVEA land adjacent to the University's Goldhill research site. The property is located 6 miles west of Fairbanks off the Parks Highway and contains thousands of years of pollen and other soil deposits important to UAF researchers.

Fairbanks, Land Use Permit, UAF Campus

SOLM issued a land use permit to the BLM to conduct "Outdoor Days" on the UAF campus. "Outdoor Days" is an educational program for area sixth graders to learn about the outdoors from local government agencies and volunteers. This activity has been conducted annually over the past ten years.

Fairbanks, Goldhill Research Site

The 25-acre Goldhill Research site, located 6 miles west of Fairbanks off the Parks Highway, was purchased by the University in 1992 for climate and geologic research. The site contains thousands of years of pollen and other soil deposits important to UAF researchers. SOLM worked with UAF Facilities Services and the UAF Geophysical Institute to have the Geophysical Institute take over day-to-day management of the site.

Fairbanks, Silver Fox Mine

The Silver Fox Mine is a 520-acre research and education site located approximately 20 miles north of Fairbanks off the Elliott Highway. SOLM continues to work with the UAF School of Mineral Engineering to maintain the 380 acres of unpatented State mining claims that make up a portion of this property. Gold exploration is occurring on land adjacent to the site and at some point a mining company may be interested in leasing the University's Silver Fox Mine.

Fairbanks, Parks Highway Access Control, UAF Campus

DOT&PF constructed a Parks Highway overpass interchange over Geist Road/Chena Pump Road on the southwest corner of the UAF campus. As part of the project, DOT&PF negotiated with SOLM for access control of a 25-acre parcel west of the highway. Access control would have rendered the parcel functionally inaccessible. SOLM negotiated with DOT&PF to retain the University's access rights to the parcel rather than sell these rights.

Nome, Relinquishment of Lease, UAF

In 1990 the University leased a 1.2-acre parcel from the City of Nome for a reindeer processing facility. Consistent with prior commitments to the City of Nome and the State, the University subsequently sublet the property to a reindeer meat processing plant operator. SOLM is working with the City of Nome to terminate the University's interest in the lease allowing the City of Nome to enter into an agreement directly with the facility operator.

Nenana-Talkeetna, Land Use Permits

SOLM is working with UAF Geophysical Institute researchers to obtain land use permits for seismic research for approximately 30 sites along the Alaska Range Transect between Nenana and Talkeetna. Permits must be obtained from state, federal and private land owners.

University of Alaska Southeast

Juneau, Permit for Access Road, UAS Campus

SOLM is working with the USFS to secure a right-of-way (easement) through USFS land adjacent to the proposed new recreational facility on the UAS campus. The USFS has indicated that it is not willing to issue the right-of-way at this time. SOLM will continue negotiations with the USFS in an attempt to resolve this access problem.

Juneau, Drainage Easements, UAS Campus

SOLM secured two drainage easements from property owners adjacent to the UAS campus. The easements were necessary to complete construction of a road through the UAS campus.

Juneau, Mining Technology Site

SOLM entered into an agreement with AJT Properties for use of a portion of the AJ Mine in Juneau as a mine training site. There is no cost to the University for use of the site. Previously, Echo Bay Alaska, Inc. assigned a portion of its leasehold rights at the AJ Mine in Juneau to the

University. When Echo Bay Alaska, Inc. terminated its lease with AJT Properties, SOLM entered into an agreement directly with AJT Properties.

Juneau, Bill Ray Center

SOLM will evaluate opportunities for the sale, commercial development or joint utilization of the Bill Ray Center located on F Street near downtown Juneau. The Bill Ray Center is a 22,055 square foot two-story classroom and office building used by University of Alaska Southeast (UAS) for its programs since 1976. UAS is interested in leveraging equity in the Bill Ray Center to support a recreation center and other capital improvements at UAS. Any effort to sell or otherwise convert the facility to commercial uses will be coordinated with UAS.

Juneau, Space Lease

SOLM renewed a lease for 410 square feet of office space in the Ebner Building, located in downtown Juneau. The space is used by University Relations as well as Statewide Budget.

Ketchikan, Easement

SOLM granted the City of Ketchikan a road easement across the west side of the Hamilton/Robertson Building property located in downtown Ketchikan. The University received \$80,000 and the long-term use of nine parking spaces along the east side of the new roadway as consideration for the easement.

Sitka, Joint Management Tract, Sitka Campus

The State of Alaska Department of Natural Resources (DNR) intends to convey several parcels of land adjacent to the UAS Sitka campus to the Department of Education (DOE) for use by Mt. Edgecombe High School. The Sitka campus entrance is located on one of the parcels being conveyed to DOE. SOLM is working with the DNR and DOE to ensure that the University retains access rights to the Sitka campus through the entrance parcel. This will likely be accomplished through a deed restriction when the site is conveyed to DOE.

STATEWIDE

Miscellaneous Permits and Space Leases, Statewide

On a regular basis, SOLM assists researchers, graduate students and academic entities in obtaining permits to conduct research on state, federal and private lands. SOLM also obtains permits required by the administration, such as Alaska Railroad underground utility crossing permits, for development projects. SOLM currently manages space leases for the Statewide Administration and UAS. Authority for the acquisition of space leases at UAA and UAF has been delegated to the respective campuses.

Water Rights, Statewide

SOLM continues to obtain Certificates of Appropriation for water rights on UA properties with metered wells.

UNIVERSITY OF ALASKA FOUNDATION

STATEWIDE

Bullock Condominium Sale, Anchorage

In December 1994 the University of Alaska Foundation was gifted a 1,620 square foot condominium located on the 10th floor of the Peterson Tower Building in downtown Anchorage. The condominium was managed by SOLM during the Foundation's ownership. At the request of the Foundation, SOLM offered the property for sale in October 1997. The minimum asking price was \$285,000 (appraised value). One offer was received and the property was sold for \$300,036.

Bentley Trust, Fairbanks

The University is one of six beneficiaries of the Bentley Trust, a trust comprised of approximately 484 acres of land located off College Road in Fairbanks and approximately 12 million dollars in cash, equities and other liquid assets. Since the trust started paying net income distributions in 1990, the University has received \$600,410 from the trust for its 12.5 percent beneficial interest. Distribution of the Bentley Trust principal has the potential of netting between four and six million dollars to the University. SOLM is participating with the five other beneficiaries of the trust to determine if it is advantageous to liquidate the trust early and, if so, to pursue liquidation. If early liquidation is not feasible, SOLM will work with the other beneficiaries to develop a plan for the orderly liquidation of the trust at the earliest scheduled date of September 2002. Due to large price discounts associated with trying to liquidate 484 acres of real estate in Fairbanks in a short period of time, trust liquidation may include the transfer of land as well as cash and other liquid assets to the University and or possible joint ownership of land with other beneficiaries. Following the same logic, the University will also consider buying out the land interests of out of state beneficiaries at a discount to fair market value.

Schaible House, Fairbanks

SOLM continues to oversee management of the Schaible house which is located adjacent to the residence of the University President, one mile north of the UAF campus. The house is leased for residential purposes.

Potential Land Donation, Homer

In July 1998 SOLM reviewed a potential gift of 18 lots totaling 9.92 acres. The property is located in the central business district in Homer, between Pioneer Avenue on the north and the Homer Bypass on the south. SOLM has recommended acceptance of the gift and will finalize the transaction if the donor proceeds with the donation.

Land Sales

SOLM will continue to offer selected Foundation properties in its competitive and over-the-counter land sales, and will manage the escrow accounts related to these sales.

UNIVERSITY OF ALASKA

REGIONAL SUMMARY OF INVESTMENT PROPERTY

(In Acres)

DECEMBER 1998

REGION	Fee Simple	Surface Rights Only	Subsurface Rights Only	Harvestable Timber Only	Agriculture Rights Only	Total	Percentage of Total
ALASKA PENINSULA	1,171	1,486				2,658	1.5%
ANCHORAGE	2,658		869			3,527	2.1%
COPPER BASIN	7,323	76	454			7,853	4.6%
FAIRBANKS	12,780	51	441			13,272	7.7%
GULF	1,556	1,945	40	12,000		15,541	9.0%
HAINES	14,787	6	79			14,872	8.7%
HOMER	4,103	217	4		789	5,113	3.0%
JUNEAU	713	929	4			1,646	1.0%
KENAI	12,152	702	9			12,863	7.5%
KETCHIKAN	145	2,705				2,851	1.7%
MAT-SU	6,589	5	124			6,718	3.9%
NENANA	13,612	3	97			13,713	8.0%
NORTHERN ALASKA		64				64	0.0%
OUT OF STATE	25					25	0.0%
PETERSBURG	41	1,234				1,275	0.7%
PRINCE OF WALES		4,588				4,588	2.7%
SALCHA-DELTA	8,889		9			8,898	5.2%
SITKA		703	17			720	0.4%
UA FOUNDATION	1,808		98			1,906	1.1%
UPPER SUSITNA	14,391	130	47			14,568	8.5%
VALDEZ	372	335	13				
WEST FAIRBANKS	8,268	148	6			8,422	4.9%
WESTERN ALASKA		132				132	0.1%
WHITE MOUNTAIN	19,290	675				19,965	11.6%
WRANGELL ST. ELIAS	8,874	340	1,436			10,650	6.2%
TOTAL	139,547	16,474	3,749	12,000	789	171,839	100.0%
Trust Land	135,882	16,468	2,258	12,000	789	166,677	97.0%
Foundation Land	1,809		98			1,907	1.1%
Other University Land	1,857	6	1,393			3,255	1.9%
TOTAL	139,547	16,474	3,749	12,000	789	171,839	100.0%

*Some columns do not add correctly due to rounding

UNIVERSITY OF ALASKA

REGIONAL SUMMARY OF EDUCATIONAL PROPERTY

(In Acres)

DECEMBER 1998

Region	Fee Simple	Leases Leases	Permits	Mineral Rights	Agricultural Rights	Total
ALASKA PENINSULA	37		23,232			23,269
ANCHORAGE	482	8				490
COPPER BASIN	32		10			42
FAIRBANKS	2,740	462	18	380		3,600
GULF	3	4				7
HOMER	30		27			57
JUNEAU	200		51			251
KENAI	332	37				369
KETCHIKAN	53					53
MAT-SU	1,937					1,937
NENANA	646		1			647
NORTHERN ALASKA	2	32	42			76
OUT OF STATE	0		1			1
PETERSBURG	0					0
SALCHA-DELTA	83				363	446
SITKA	0		7			7
UPPER SUSITNA	0		10			10
WEST FAIRBANKS	62		6,344			6,406
WESTERN ALASKA	14	3				17
WHITE MOUNTAIN	5,123	533	1,172,112			1,177,768
WRANGELL	640	3				643
Total	12,416	1,082	1,201,855	380	363	1,216,096

THREE PHASE PROCESS



- ▶ **Phase I - Project Planning & Feasibility Analysis, 1 Year**
- ▶ **Phase II - Comprehensive Analysis, 2 Years**
- ▶ **Phase III - Final Feasibility & Implementation, 2 Years**

1

PHASE I



- ▶ **Integrate Efforts Between Organizations**
- ▶ **Inventory**
- ▶ **Utility Deficiency Assessment**
- ▶ **Regulatory Review**

2

PHASE I



- ▶ **Market Survey, Determine Interest**
- ▶ **Preliminary Economic Analysis**
 - ▶ **Life-Cycle Cost Analysis**
 - ▶ **Status Quo Cash Flow**
 - ▶ **Privatization Cash Flow**
 - ▶ **Net Present Value Analysis**
 - ▶ **Least Cost Alternative**

3

PHASE II



- ▶ **Environmental Studies**
- ▶ **Draft Real Estate Documents**
 - ▶ **Appraisals, Inventories, As-builts, Surveys, etc.**
- ▶ **Draft Transitions Plan**

4

PHASE II



- ▶ **Source Selection Plan**
 - ▶ **Establish Source Selection Evaluation Team**
- ▶ **Develop Draft RFP**
- ▶ **Review & Approval of RFP**

5

PHASE III



- ▶ **Finalize and Issue RFP, 2 Steps**
 - ▶ **Qualification Phase**
 - ▶ **Technical Phase**
- ▶ **Select Best Value Proposal**
- ▶ **Economic Analysis Report**
 - ▶ **Update Status Quo Cash Flow**
 - ▶ **Best Proposal Cash Flow**
 - ▶ **Fair Market Value Recommendation**
 - ▶ **Life-Cycle Cost Analysis**

6

PHASE III



- ▶ **Finalize Transition Plan**
- ▶ **Finalize Real Estate Instruments**
- ▶ **Comprehensive Analysis Report**
 - ▶ **Approval Package**

7

THREE PHASE PROCESS



- ▶ **Phase I - Project Planning & Feasibility Analysis**
- ▶ **Phase II - Comprehensive Analysis**
- ▶ **Phase III - Final Feasibility & Implementation**

- ▶ **Questions?**

8

University of Alaska Fairbanks Power Plant Privatization Draft

Definition

As it pertains to the University of Alaska Fairbanks Utilities Plant, privatization could entail any initiative from outsourcing some or all of the operations and maintenance activities on Plant Operations; to a complete divestiture of the Power Plant, Electric Distribution, and Steam Distribution Systems.

Precedent

From a national standpoint, there is a concentrated effort to move toward private operation and/or ownership of selected assets. Energy distribution systems of all types, at military bases across the country are being evaluated to determine the practicability of privatization. The power plant at Elmendorf AFB has been operated and maintained by a private entity for (24 months?). The entire Civil Engineering Function at McDill AFB will soon be conducted by an Alaska Corporation. Numerous other examples can be sighted for privatization of the utility function for the military.

At the University level, privatization is not a new idea. The University of Minnesota turned over operation and maintenance of their campus wide steam distribution system to a private contractor in the early 90's. The power and heating, and cooling generation and distribution system at Wayne State College in Wayne, Nebraska has been operated and maintained by a private company for many years.

These are just a few examples to illustrate that privatization of the utility function is an alternative to be considered.

Market

Within a 50 mile radius of Fairbanks, there are, including the Utility Plant at the University of Alaska Fairbanks, four (4) independent, stand-alone cogeneration systems, and a conventional public utility with substantial generation capability in its own right. One would expect that there is potential for some synergy between some of these facilities. It is in finding and exploiting that synergy that a private organization would find value in the UAF power Plant.

There are numerous companies across the country whose specific business is to own, operate, and maintain these types of plants. A serious solicitation of interest would draw considerable attention.

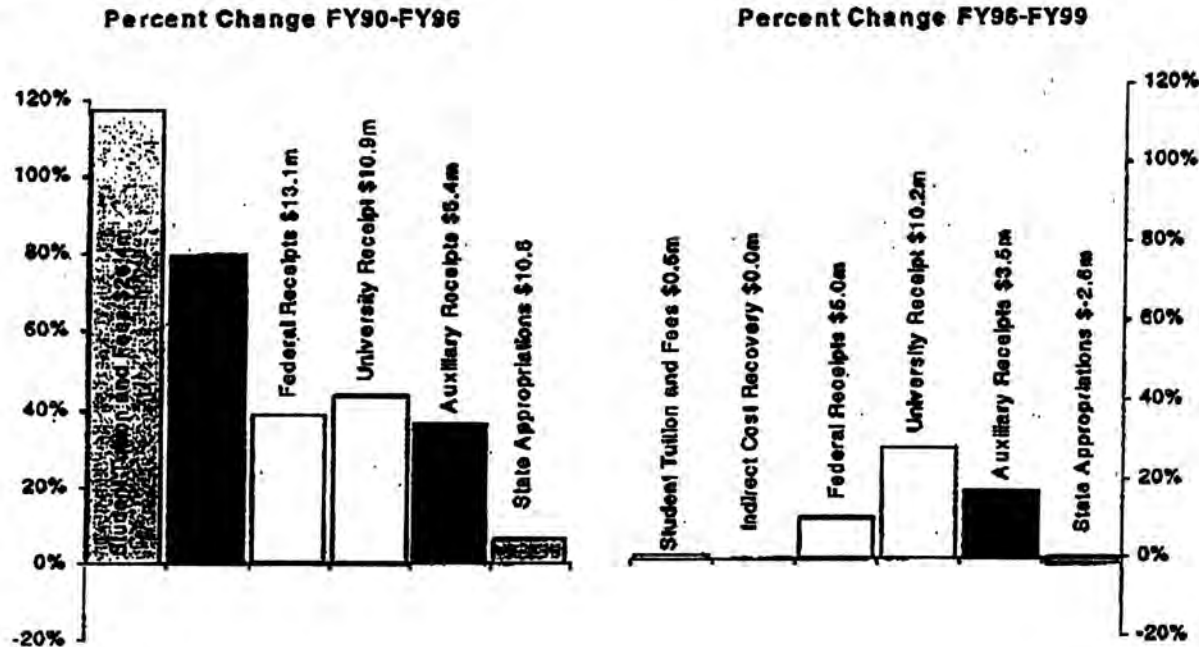
Process

Much work needs to be done yet before a decision can even be made as to whether or not the University of Alaska wants to privatize their utility function. The first step is a thorough and independent evaluation of the plant and its operations. This evaluation should accurately allocate costs and establish a value for the plant. Subsequent to this evaluation, an informed decision can be made regarding the next steps in the process, if any.

Then...

A Ten Year Perspective

What the University has accomplished



FY1990 – FY1996

In the early years of the 90s, the University responded to the challenge of reducing its dependence on state revenues. In FY90, the general fund represented nearly 70% of the total UA budget; in FY96, the general fund had dropped to 46% of the total. Tuition and indirect cost recovery receipts more than doubled, and revenues from federal sources, auxiliary and university receipts increased by more than 40%. Total revenues were up by \$72.3 million during this period, including only \$10.6 million in general fund. The 6% general fund increase during this period ranked Alaska 49th in terms of state support for higher education. Full-time faculty and staff were reduced by 248 positions.

In short, the University did everything possible to assist itself. Despite the budget constraints and the difficulties of reducing dependency on state general fund, enrollments increased by 11%.

FY1996 – FY1999

The financial stress of the revenue realignment necessary in the early 90s reached crisis level in FY96. General fund was reduced, enrollments began to slide, and all other revenue sources stagnated or began to drop off significantly. The University was simply not able to provide any additional revenue sources and the existing sources that depend on a healthy base of support in the general fund, such as federal receipts, began to deteriorate. General fund during this period decreased by \$2.6 million; an additional 159 faculty and staff positions were lost; class sections were reduced; programs were reduced, restructured and eliminated. As a result of the diminished course offerings and the relative cost of services, enrollments dropped by 7%.

**UA Privatization Subcommittee
Format for Recommendations**

For each service, the primary question is whether this an appropriate UA function:

1. If yes, can the service be provided by the private sector?
 - Has it been evaluated for outsourcing? If yes, what were the results of that evaluation?
 - If not, why not? Is it scheduled for evaluation?

For each recommendation, discuss the following:

- Description of the service, including how currently delivered
 - Recommended or potential for change in how service is delivered (i.e. outsourced, managed competition, consolidation, etc.)
 - Potential market for private sector delivery
 - What would be the financial/productivity savings/cost to change delivery?
 - What are the transitional considerations (how do we get from here to there)?
 - What are obstacles (statutory, contractual, etc.) to changing delivery mechanism?
2. If no, should UA stop doing it (make no effort to outsource/privatize)?
 - Who would be effected if UA stopped delivery of the service?
 - What would be the financial/productivity savings/costs to change delivery?
 - What are the transitional considerations?

UA Privatization Subcommittee
Draft as of October 25, 1999

Requested Information

1. Extended campuses
 - Chronology of when established
 - Each site's funding level over time (by fund source)
 - Degree/number of students per site
 - Changes over time in delivery of services/programs offered
2. Copy of delivery of distance education report
3. UA mission statement
 - Board of Regents
 - SB 169
4. Land grant administration
 - Business plan, practices, management goals
 - Revenue generated
5. If current funding remains flat, what will it mean (especially in light of new program areas)?
6. A matrix that depicts types of activities (i.e. book store, food service, utilities, telephone, janitorial, ground maintenance, snow removal, administrative services, etc.), and all campuses and whether that function at that campus is currently out-sourced, been evaluated for outsourcing, has been centralized, etc.
7. Does/can AHFC do maintenance service of student housing?
8. How much does UAS and UAF subsidize operations such as the book store, food service, etc. by not fully "charging back" for rent, utilities, etc.?
9. A copy of the collective bargaining agreement language that is favorable to contracting out
10. A description of the criteria of when UAF uses "managed competition" for smaller projects in which in-house staff "bids" along with private sector for projects (Ed Foster, UAF Operations Superintendent; UAA doesn't do this; all done in-house). What is the percent of projects done in-house and how do costs compare?
11. Policies governing in-house work on conferences and institutes.

12. Schedule for review of each administrative cost function (for purposes of centralization, etc.)
13. Percent of employees who have been laid off who later are hired under the Board's policy that those laid off get first priority in filling of jobs.
14. How do UAF's vehicle pool rates compare to State Equipment Fleet rates?
15. Campus security
 - Description of how each campus handles security
 - Will state/local police respond to incidents on a campus
 - Results of past reviews of strengths/weaknesses of private security versus UA employees Is federal funding available for campus security

Areas discussed

1. Housing
 - UAF found private management companies unwilling to take on because unwilling to reserve for just students
 - 18% of student housing in the United States is managed by private sector
 - Difficult to outsource because private company wants to rent out during summer as conference center but students' need space in the early and late summer
2. Food service
 - UAA has outsourced to Aramark; UAA gets percentage of sales
3. Facility Operations
 - Plumbing, electrical, HVAC, snow removal are done in-house at UAF for safety considerations
 - UAF currently runs its own telephone network
4. Bookstore
 - UAA will have evaluated e-commerce by next school year; will re-visit outsourcing in 01
 - UAS is selling 50% of books now on-line
 - Selling of used books could be potential area for privatization
 - UAF has less volume, so more potential for e-commerce option
5. Printing
 - UAA has successfully outsourced to Xerox its copy center
6. UAF utilities
 - Operate heat/power plant that produces steam heat, produces water for consumption, reverse osmosis for laboratory work, compressed air for HVAC, labs, distribute chilled water for air condition, and do phone service and Ethernet wiring.

- Operation of all the utilities is intertwined so it is difficult to pull apart for separate contract for delivery of that service
 - Don't do waste disposal (College Utilities)
 - College Utilities has expressed interest in drinking water only and are still putting together a proposal. A representative from College Utilities, Andy Warwick, indicate they may make a proposal in conjunction with electric utility
 - Doyon Properties has proposed legislation concerning clarification of the regulations governing government-owned utilities
7. Administrative Services
- Will be doing another review of potential consolidations next year, especially in light of technological advances/changes
 - Consolidated/Centralized:
 - Extended sites to central campus
 - Payroll is done at the system level
 - Computer networks
 - Decentralized:
 - Procurement
 - Risk Management
8. Vehicle pool
- UAF has moved to a vehicle pool; are achieving it through attrition as older cars wear out
 - Do purchase cars through State Equipment Fleet contact
9. Revenue generation
- "Corporate University" has been established. UA enters into a continuing education contract with an employer to offer industry-driven course training and employees get college credits. UA gets 100 to 110% of cost of instruction (compared to current student tuition that covers 30% of instructional costs)

Potential recommendations on outsourcing/privatization

- UAF utilities
- Housing (currently under evaluation)
- Bookstores (outsourcing currently under evaluation; centralization?)
- UAF phone service
- Consolidate all books stores and outsource/e-commerce option with link to UAA web site
- Temporary labor pool (not students)
- Lease vehicles instead of own

UA Presentation on:

**Land Grant Endowment
Consolidated Endowment Fund
UA Foundation**

Jim Lynch

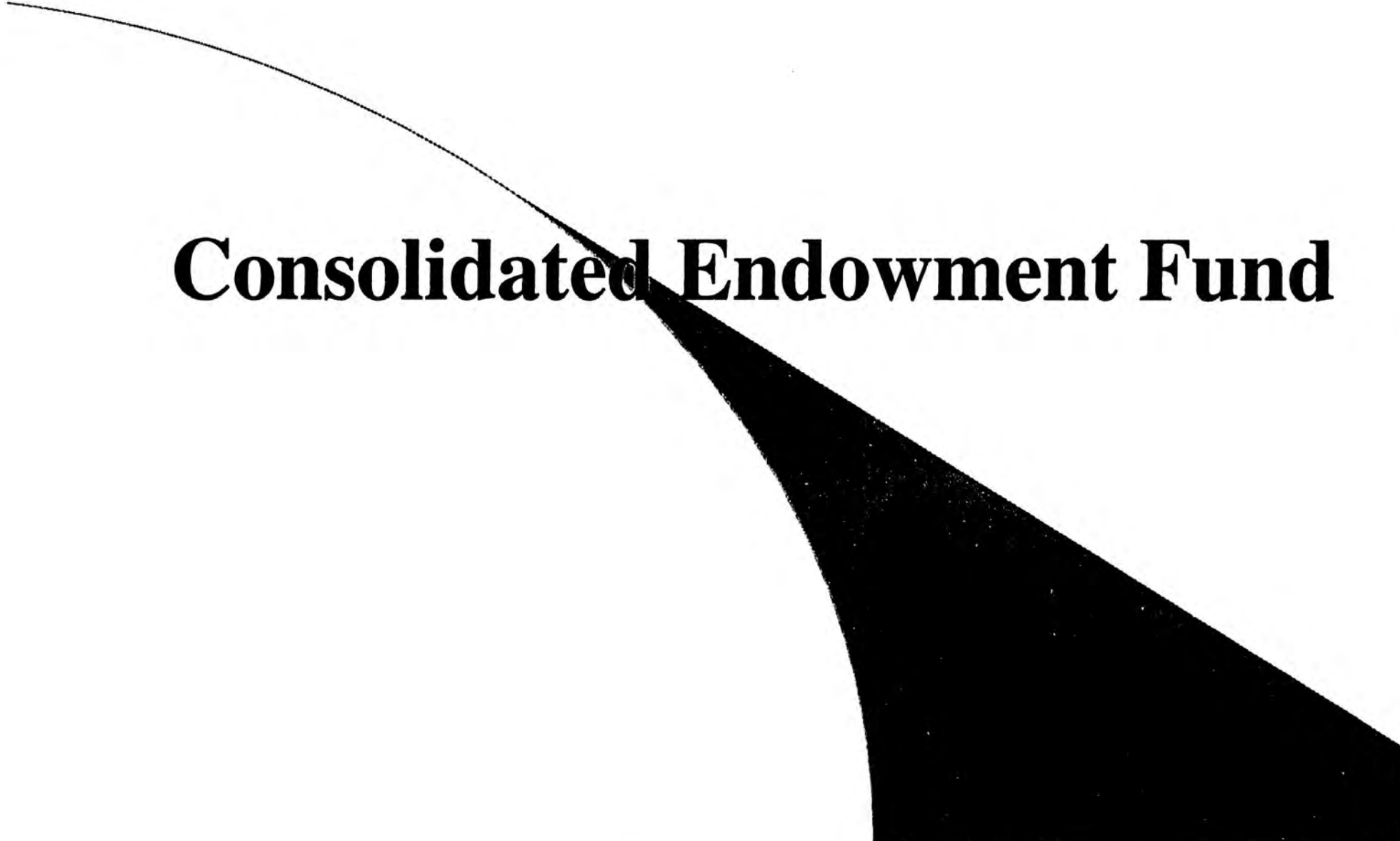
October 27, 1999

Land Grant Endowment Trust Funds
Financial Position
June 30, 1999

	<u>Endowment Funds</u>	<u>Revenue Fund</u>	<u>Natural Resources Fund</u>
Assets:			
Cash and investments	\$70,638,008		\$4,523,994
Receivables	5,131,543		
Real property	42,668,362		-
	<u>118,437,913</u>	<u> </u>	<u>4,523,994</u>
 Deposits and notes payable	 <u>(2,646,566)</u>	 <u> </u>	 <u>-</u>
 Net assets	 <u>\$115,791,347</u>	 <u>-</u>	 <u>\$4,523,994</u>

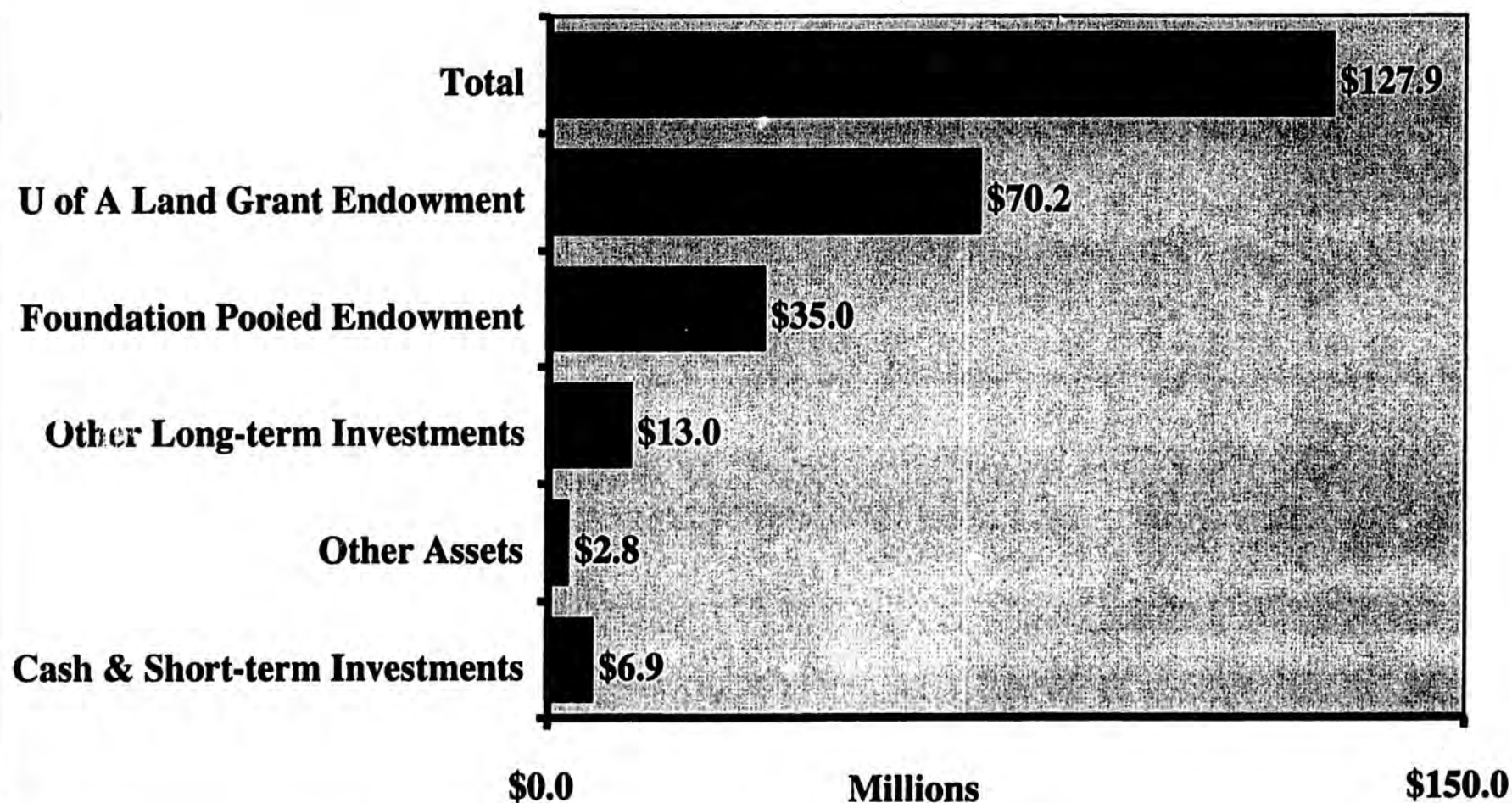
**Land Grant Endowment Trust Funds
Schedule of Changes in Net Assets
For the Year Ended June 30, 1999**

	<u>Endowment Funds</u>	<u>Revenue Fund</u>	<u>Natural Resources Fund</u>
Fund balance, beginning	\$104,513,048	-	\$3,959,385
Additions to principal	4,274,501		
Endowment earnings	6,946,451	2,642,541	
Expenditures:			
Dedicated receipts	(8,728)		
Provision for land mgt. costs	-	(457,008)	
Natural Resources Programs	-		(1,554,849)
Transfers	<u>66,075</u>	<u>(2,185,533)</u>	<u>2,119,458</u>
Fund balance, ending	<u>\$115,791,347</u>	<u>-</u>	<u>\$4,523,994</u>



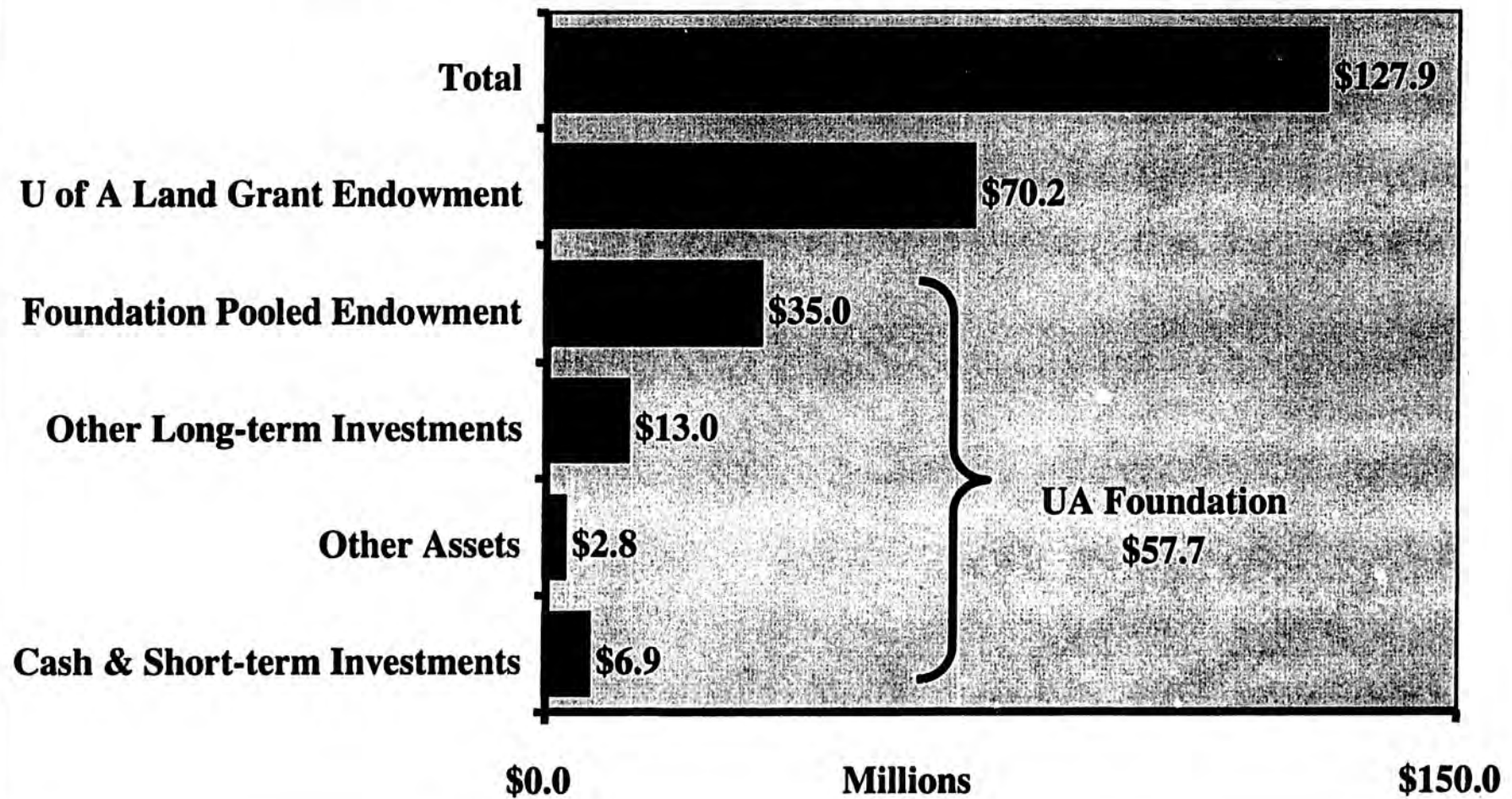
Consolidated Endowment Fund

University of Alaska Foundation Assets Under Management, June 30, 1999

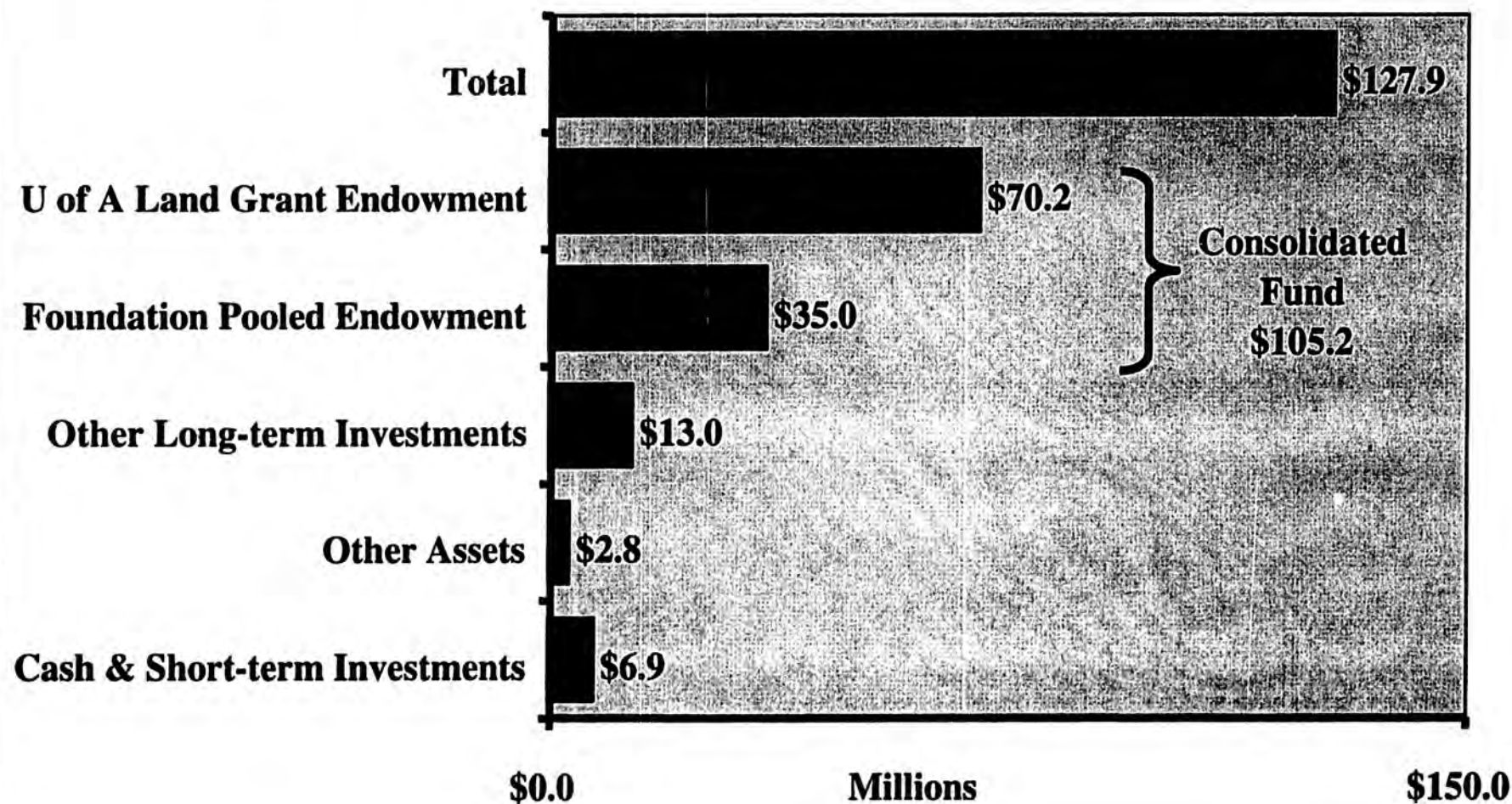


University of Alaska Foundation

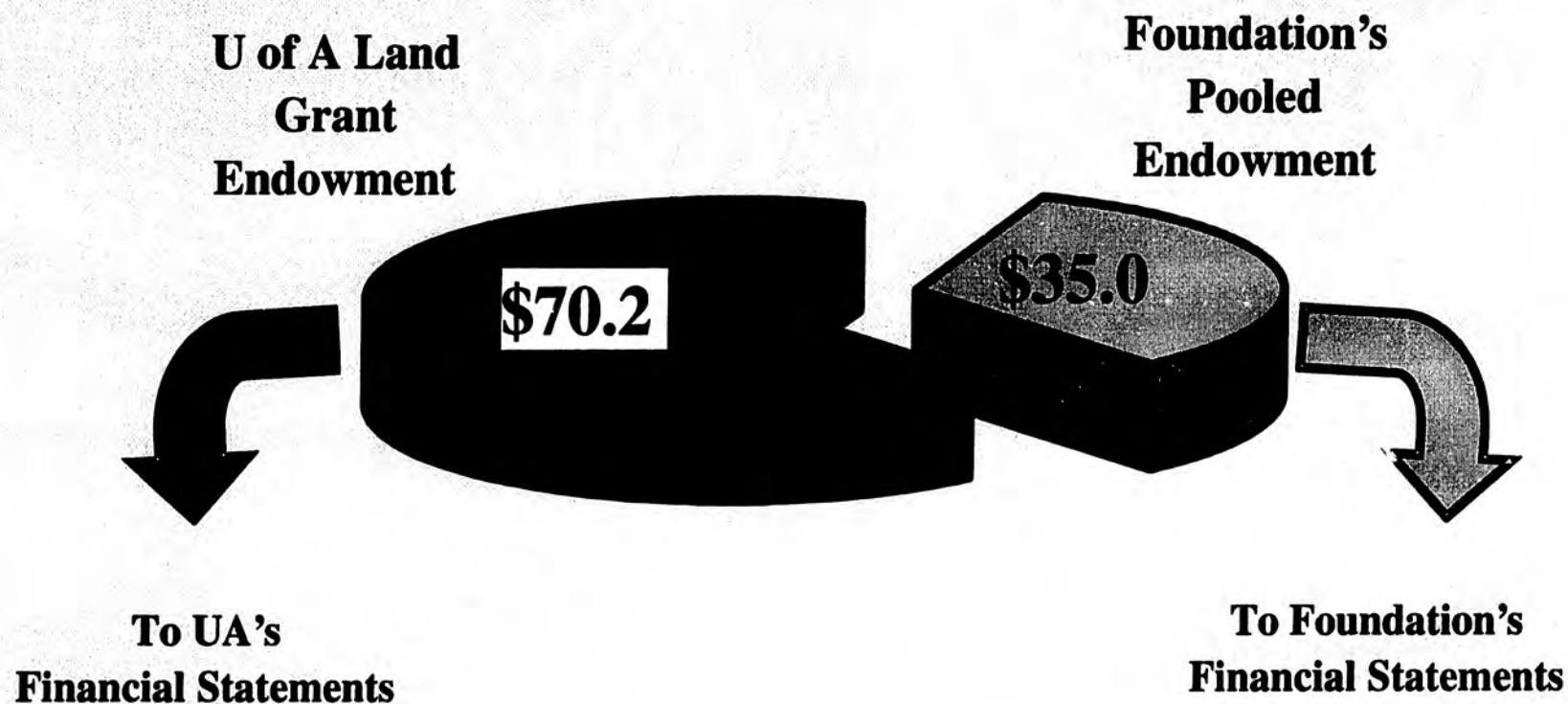
Assets Under Management, June 30, 1999



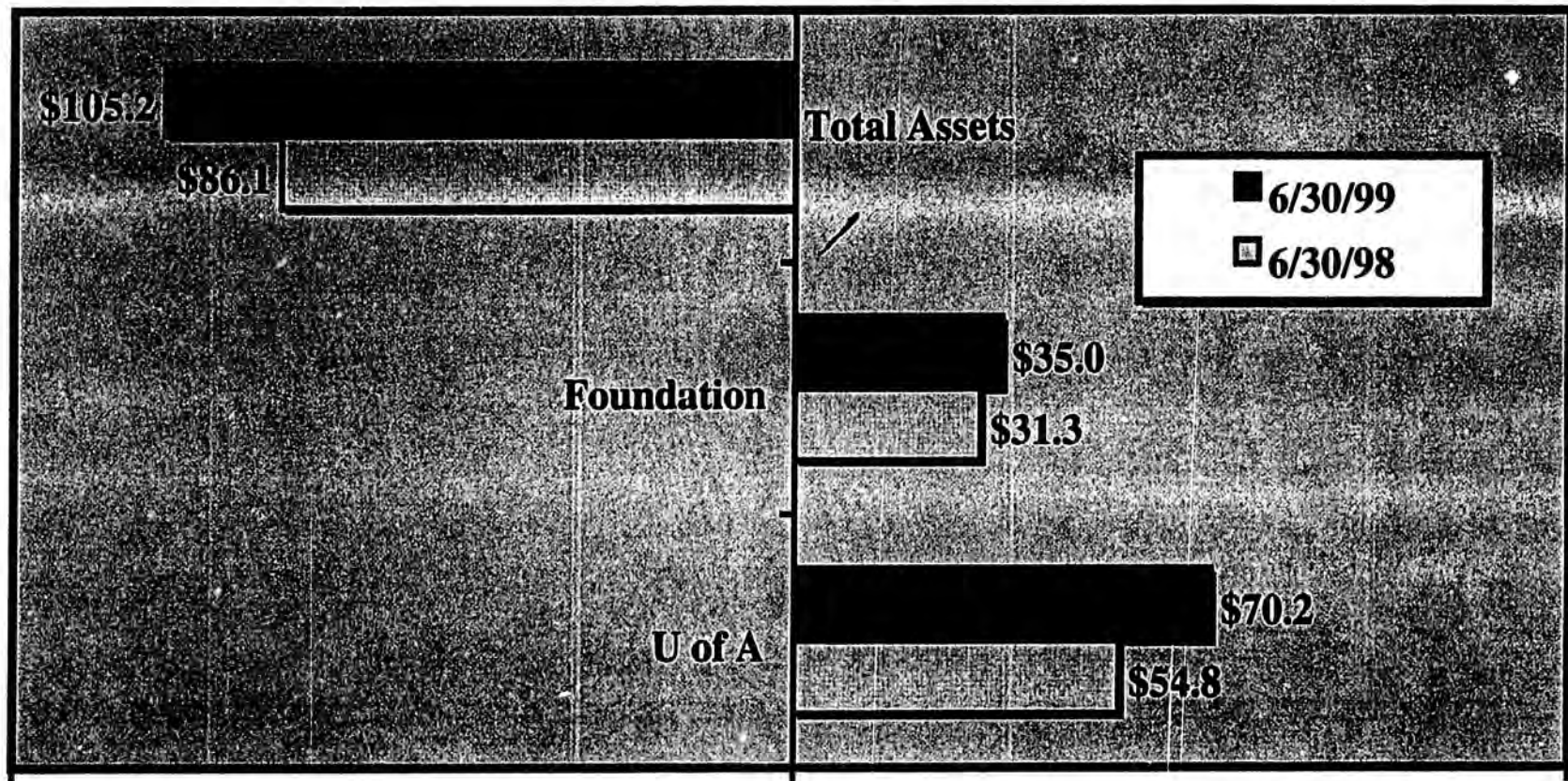
University of Alaska Foundation Assets Under Management, June 30, 1999



The Consolidated Fund Financial Statement Presentation



Consolidated Fund Financial Position



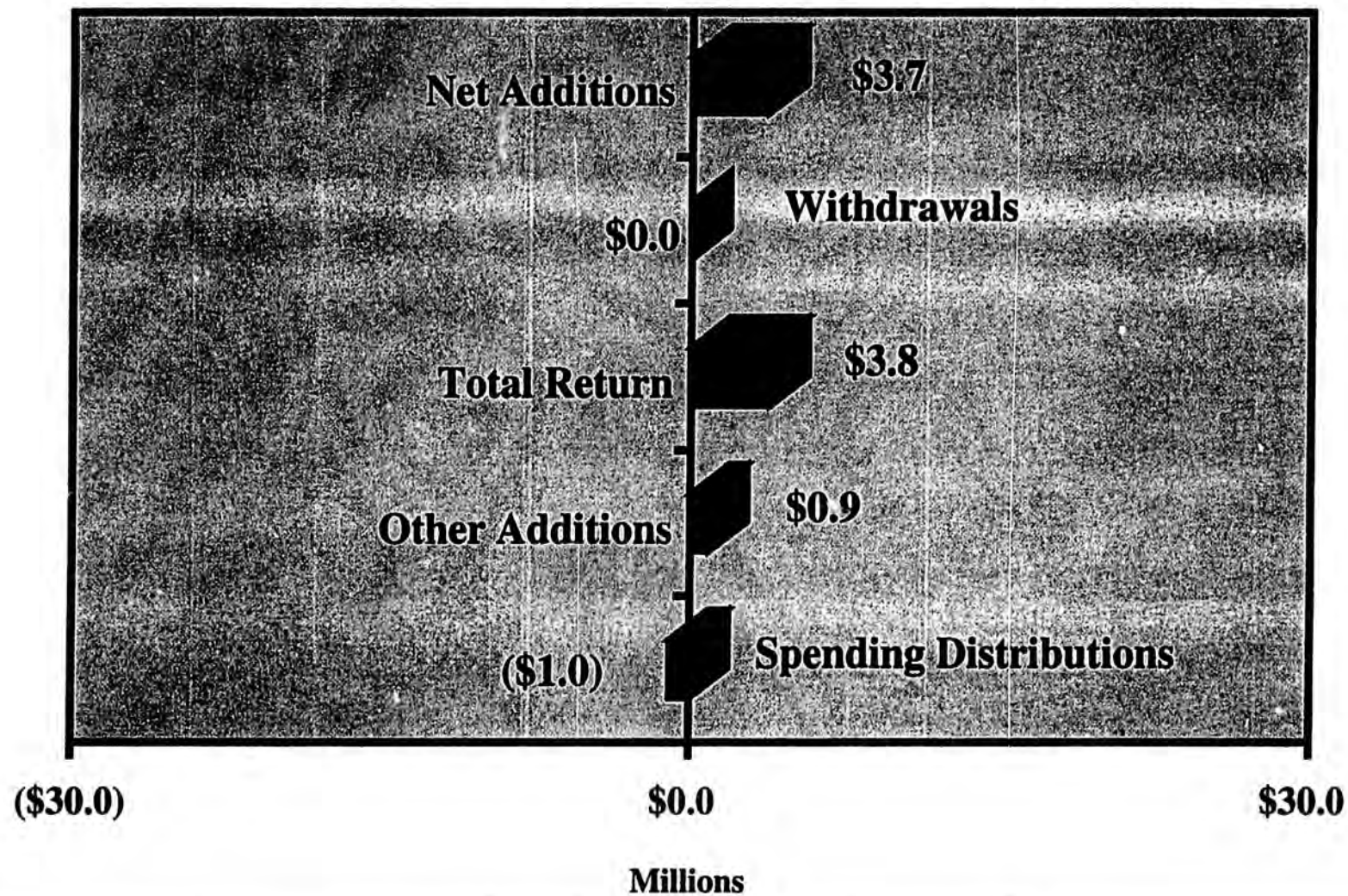
\$130.0

\$0.0

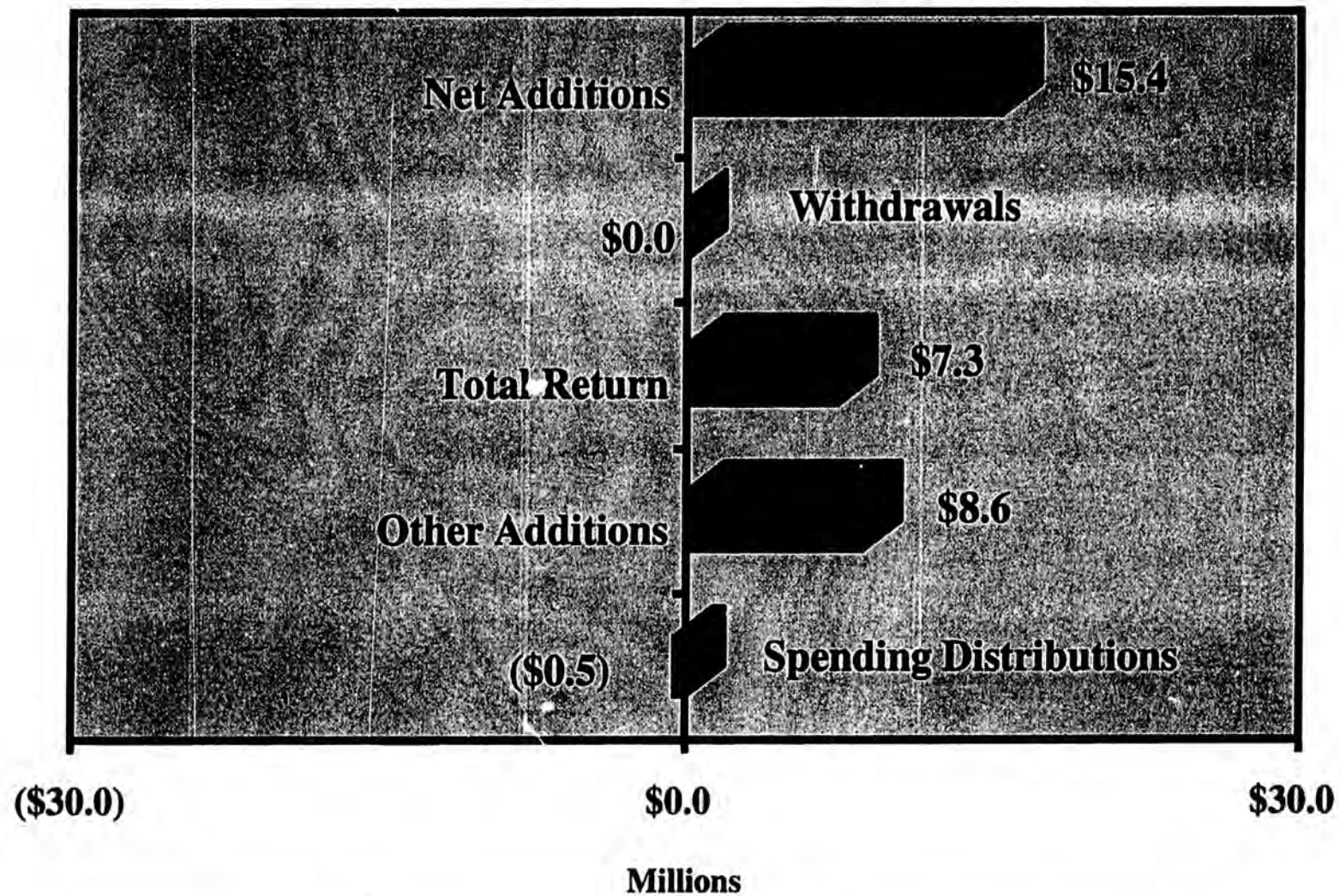
\$130.0

Millions

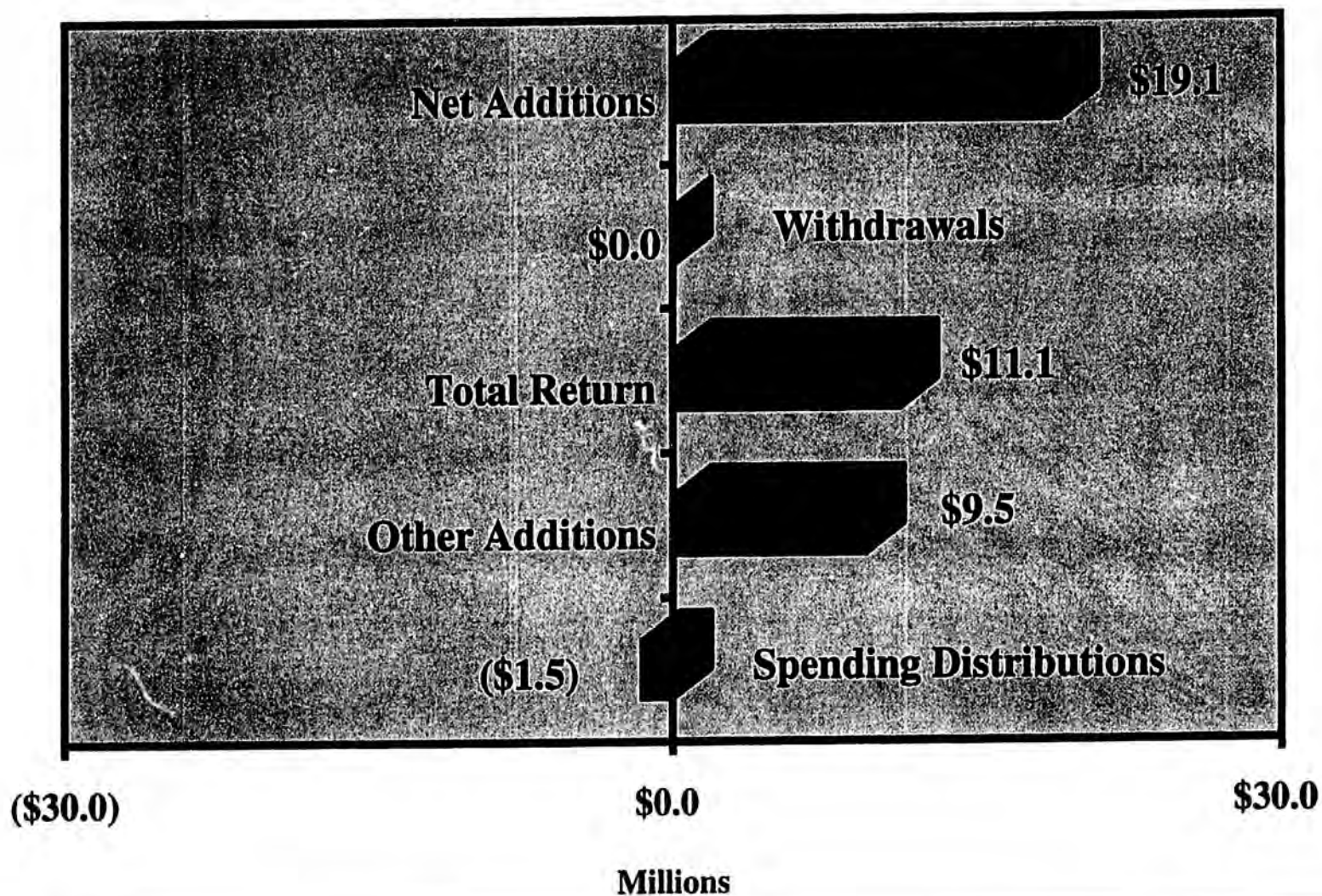
Consolidated Fund
Changes in Net Assets (UA Foundation), FY99



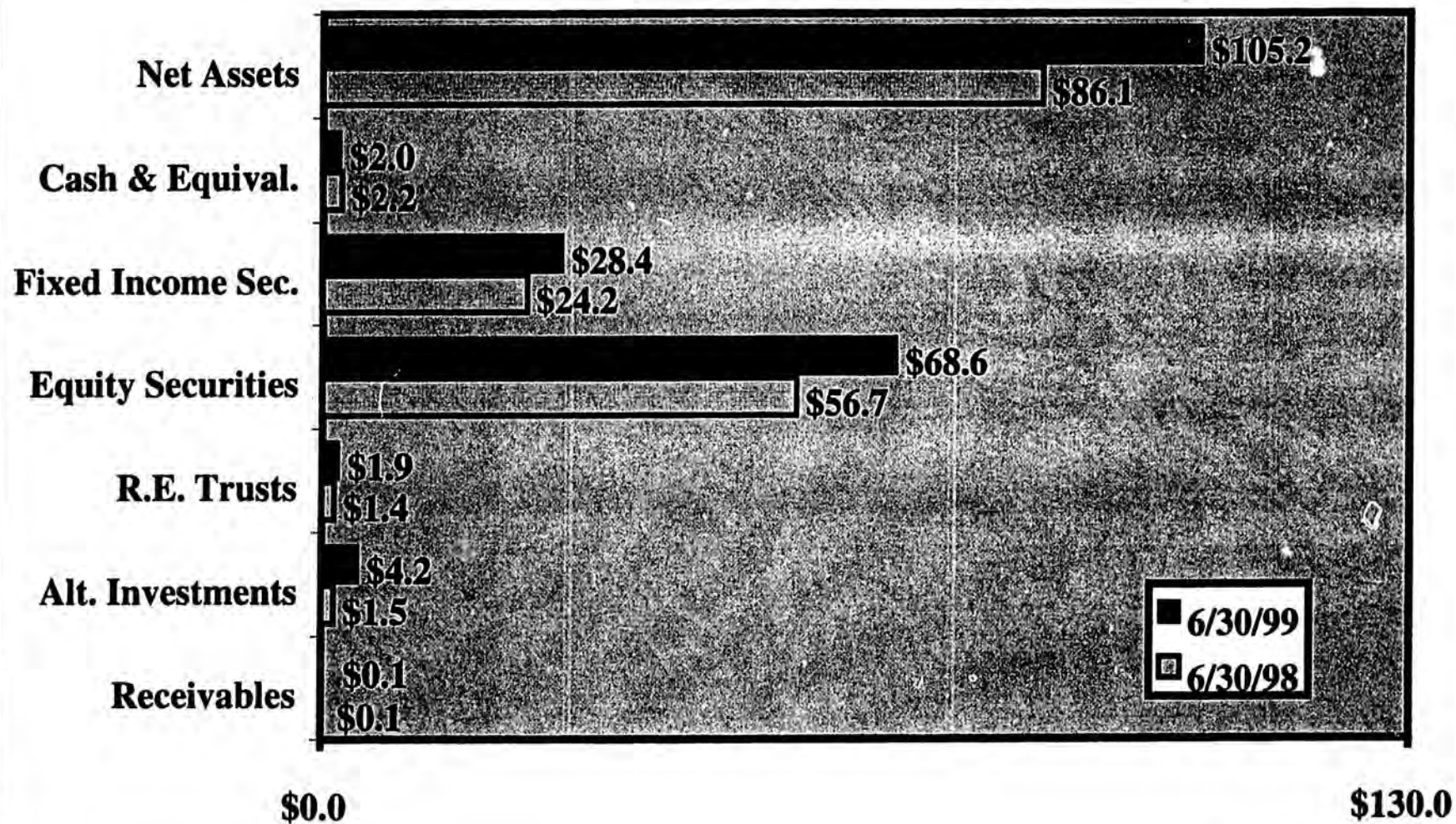
**Consolidated Fund
Changes in Net Assets (U of A), FY99**



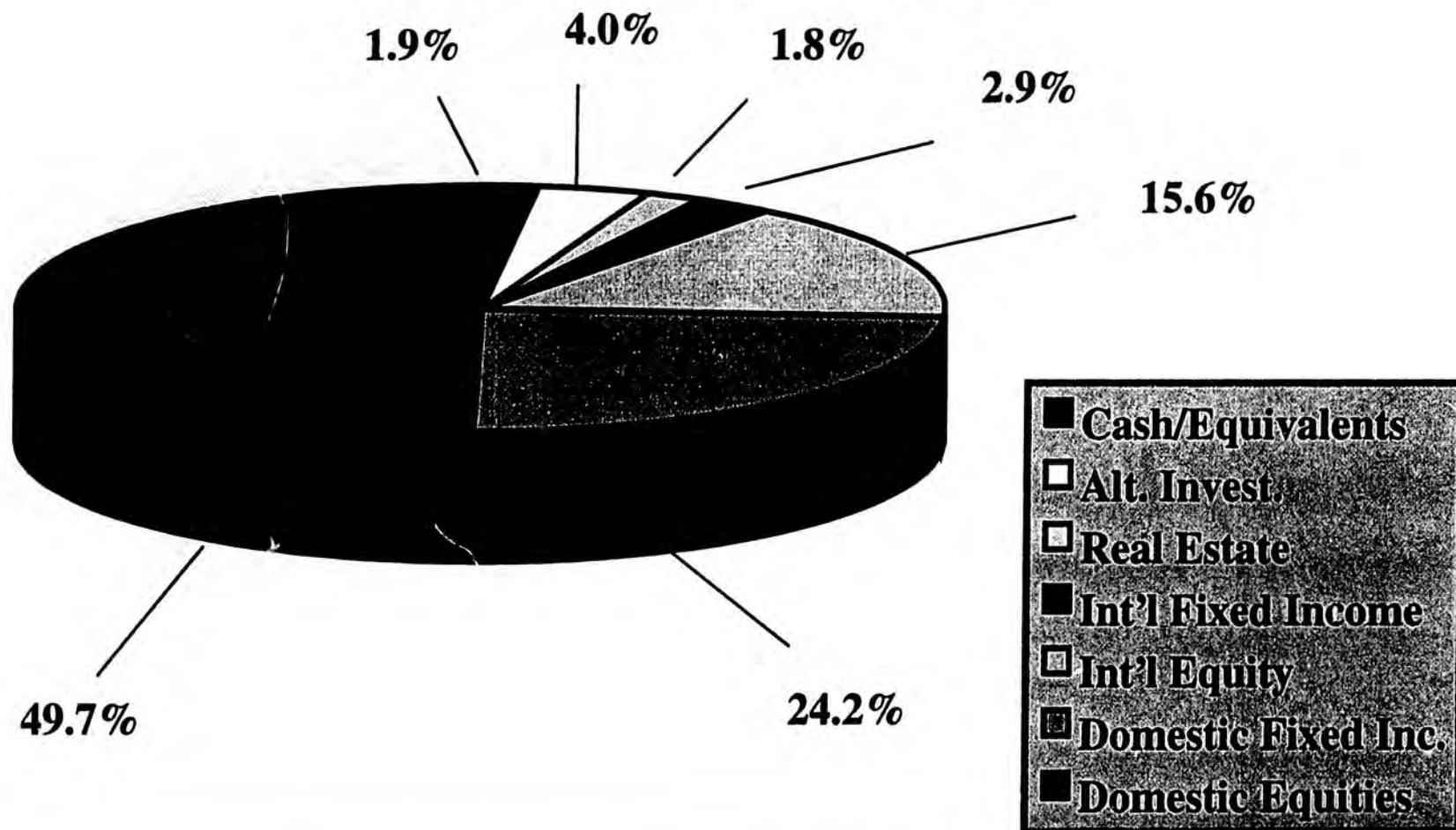
**Consolidated Fund
Combined Changes in Net Assets, FY99**



Consolidated Fund Assets

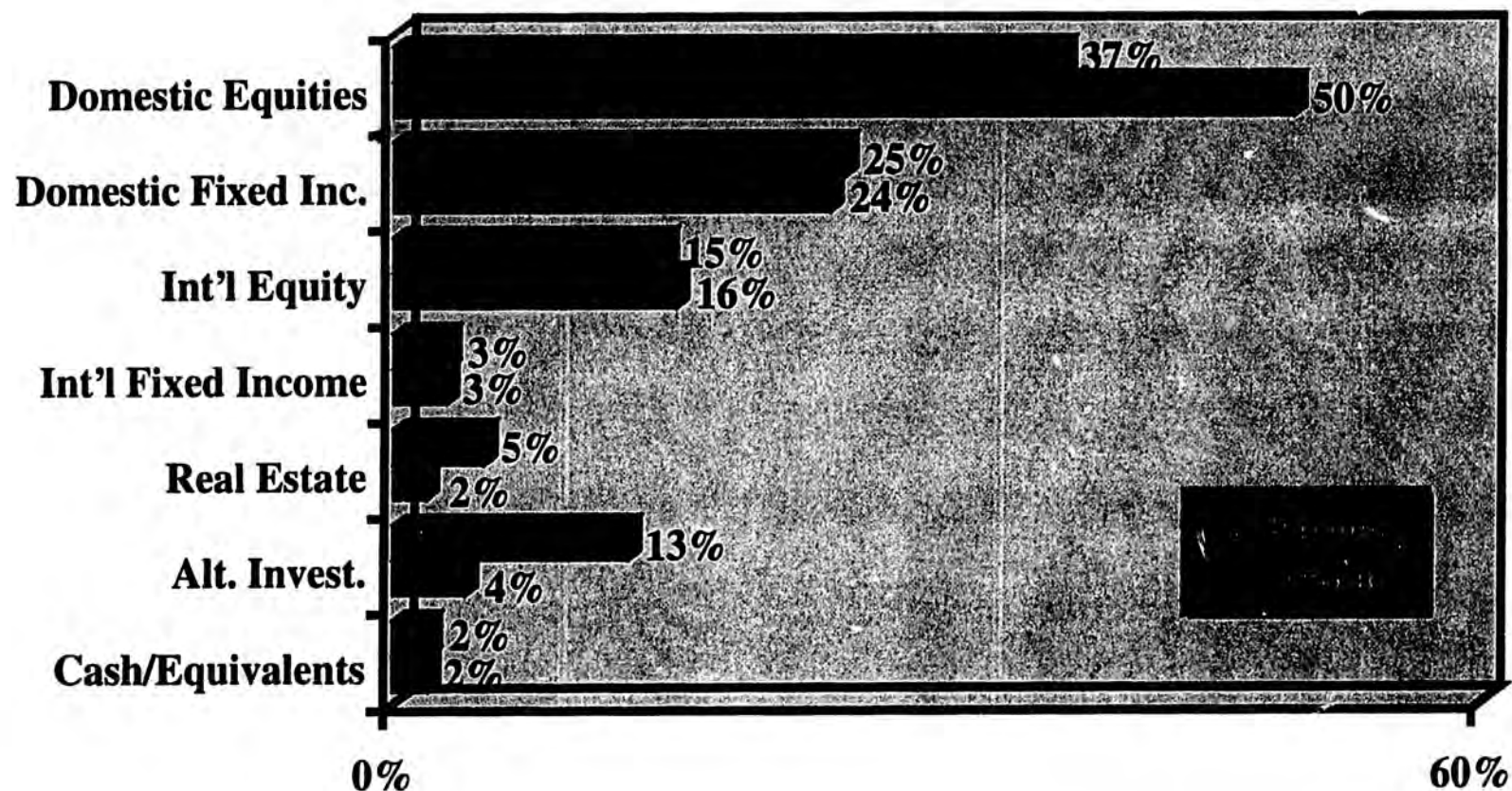


**Consolidated Fund
Asset Allocation, June 30, 1999**

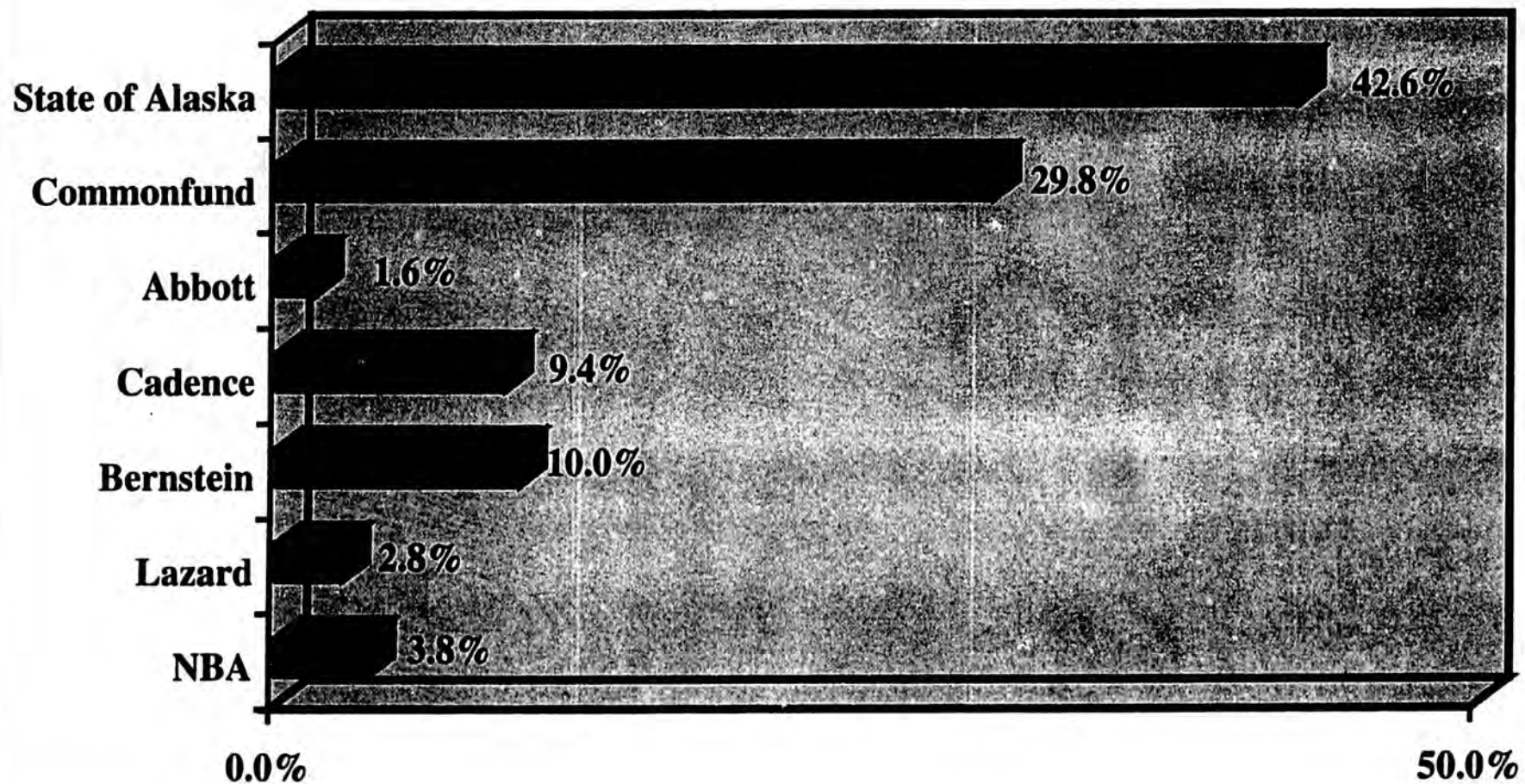


Consolidated Fund

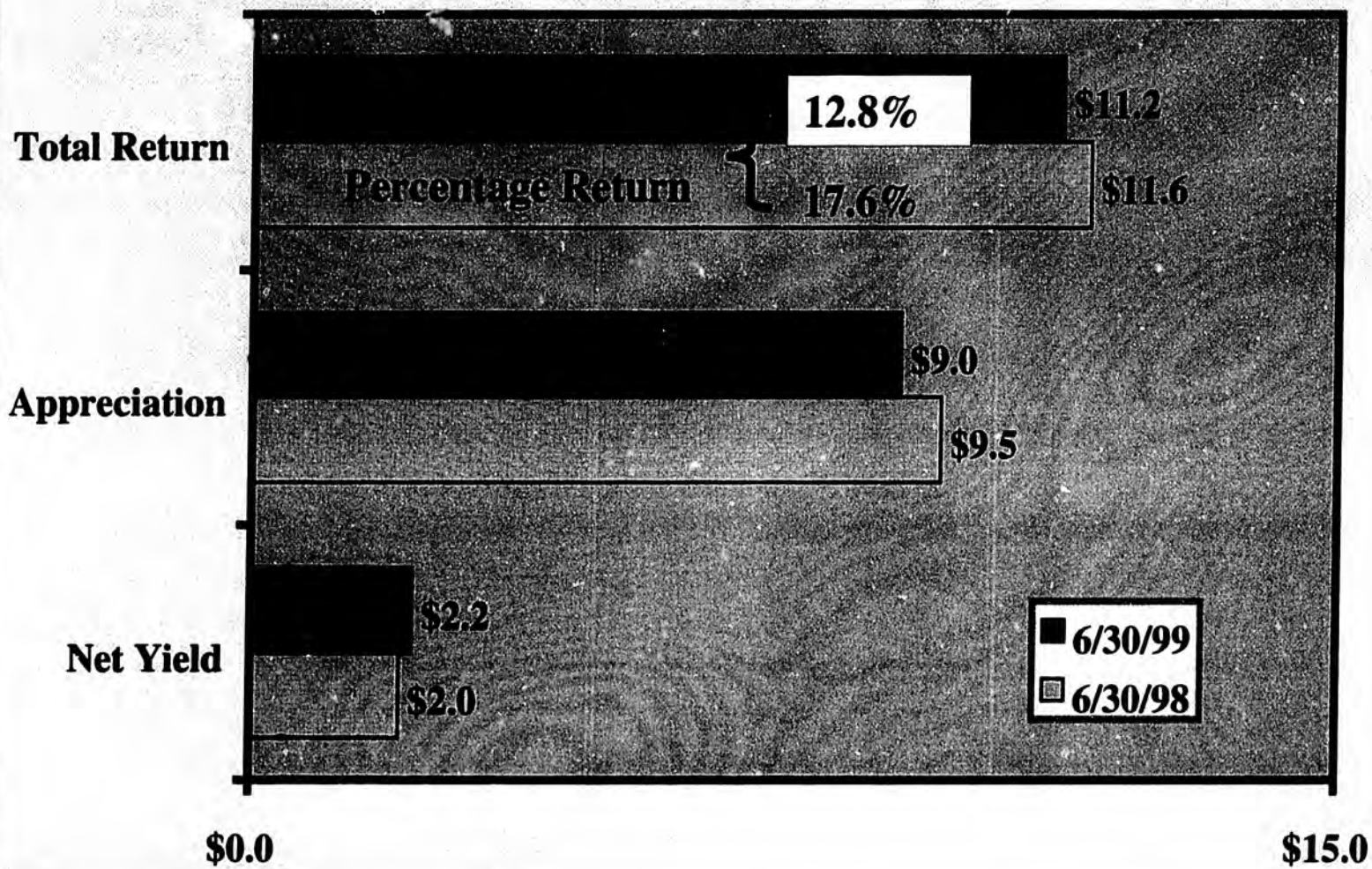
Asset Allocation Target v. Actual June 30, 1999



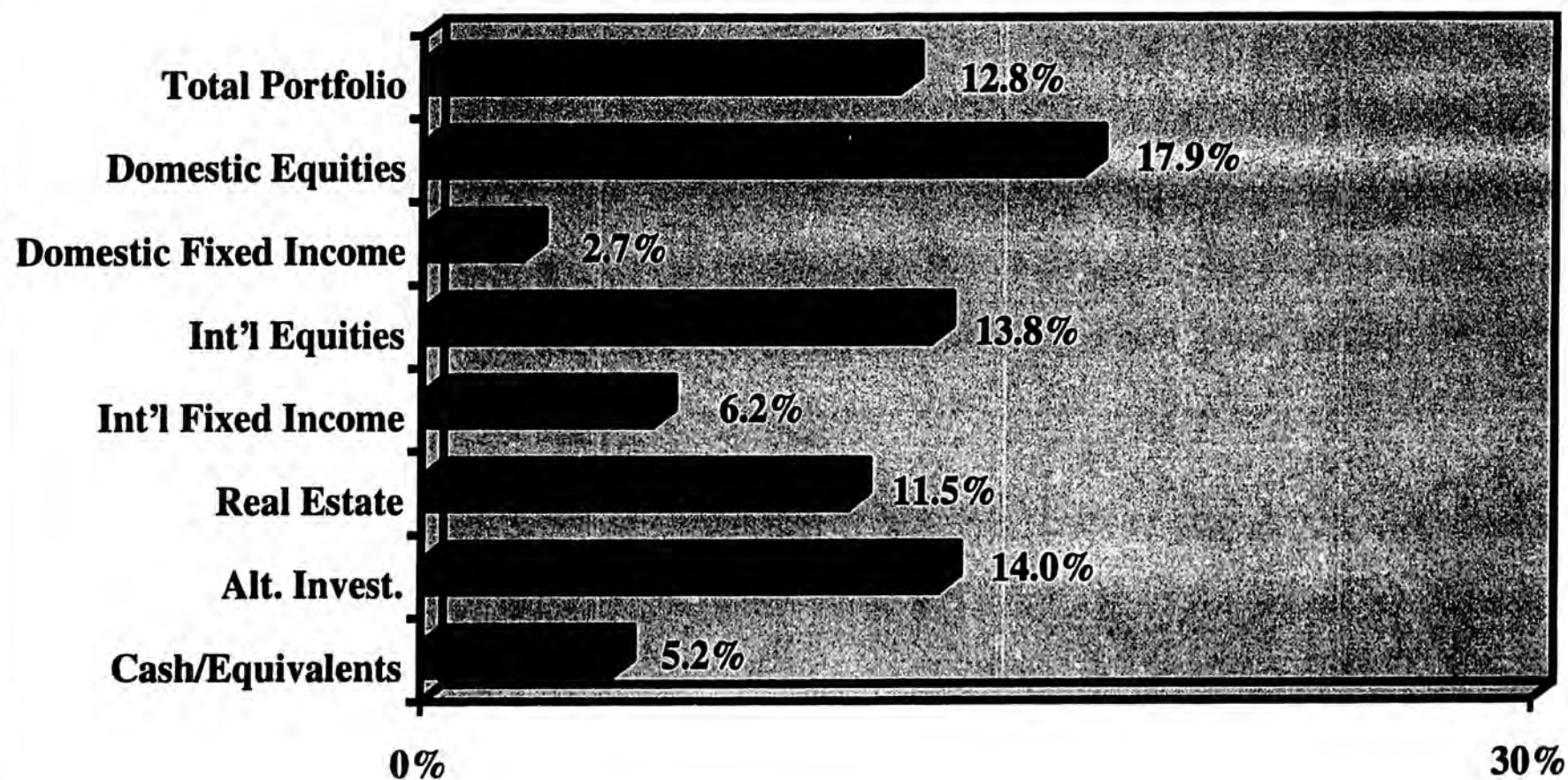
Consolidated Fund
Assets Distribution by Manager, June 30, 1999



Consolidated Fund Total Return



Consolidated Fund Investment Returns FY99



An abstract graphic design featuring a thin, curved line that starts in the upper left and arcs towards the center. A large, solid black wedge shape originates from the center and extends towards the bottom right corner. The text "Investment Policy Milestones" is centered over the intersection of these two elements.

Investment Policy Milestones

University of Alaska Endowment Trust Fund

- **1978**

- ▶ **\$2.5 million**
- ▶ **All cash and fixed income investments**
- ▶ **Spending current income only**

University of Alaska Endowment Trust Fund

- **1989**

- ▶ **\$13.9 million**
- ▶ **Equities authorized, minimal exposure**
- ▶ **Spending current income only, after inflation proofing at CPI**

University of Alaska Endowment Trust Fund

- **1997**

- ▶ **\$43.2 million**
- ▶ **Spending current income only after inflation proofing at 33% current income**
- ▶ **Total return authorized**
- ▶ **Consolidated with the UA Foundation's Pooled Endowment Funds**

University of Alaska Foundation Pooled Endowment Fund

- **1984**

- ▶ **\$1.2 million**
- ▶ **All cash and fixed income investments**
- ▶ **Spending current income only**

University of Alaska Foundation Pooled Endowment Fund

- **1988**

- ▶ **\$8.2 million**
- ▶ **Balanced fund portfolio, fixed income bias**
- ▶ **Unitized pool, total return**
- ▶ **Spending 5.5% of market value**

University of Alaska Foundation Pooled Endowment Fund

- **1995**

- ▶ **\$23.3 million**
- ▶ **Spending 5.0% of 3 yr. moving average of market value**

University of Alaska Foundation Pooled Endowment Fund

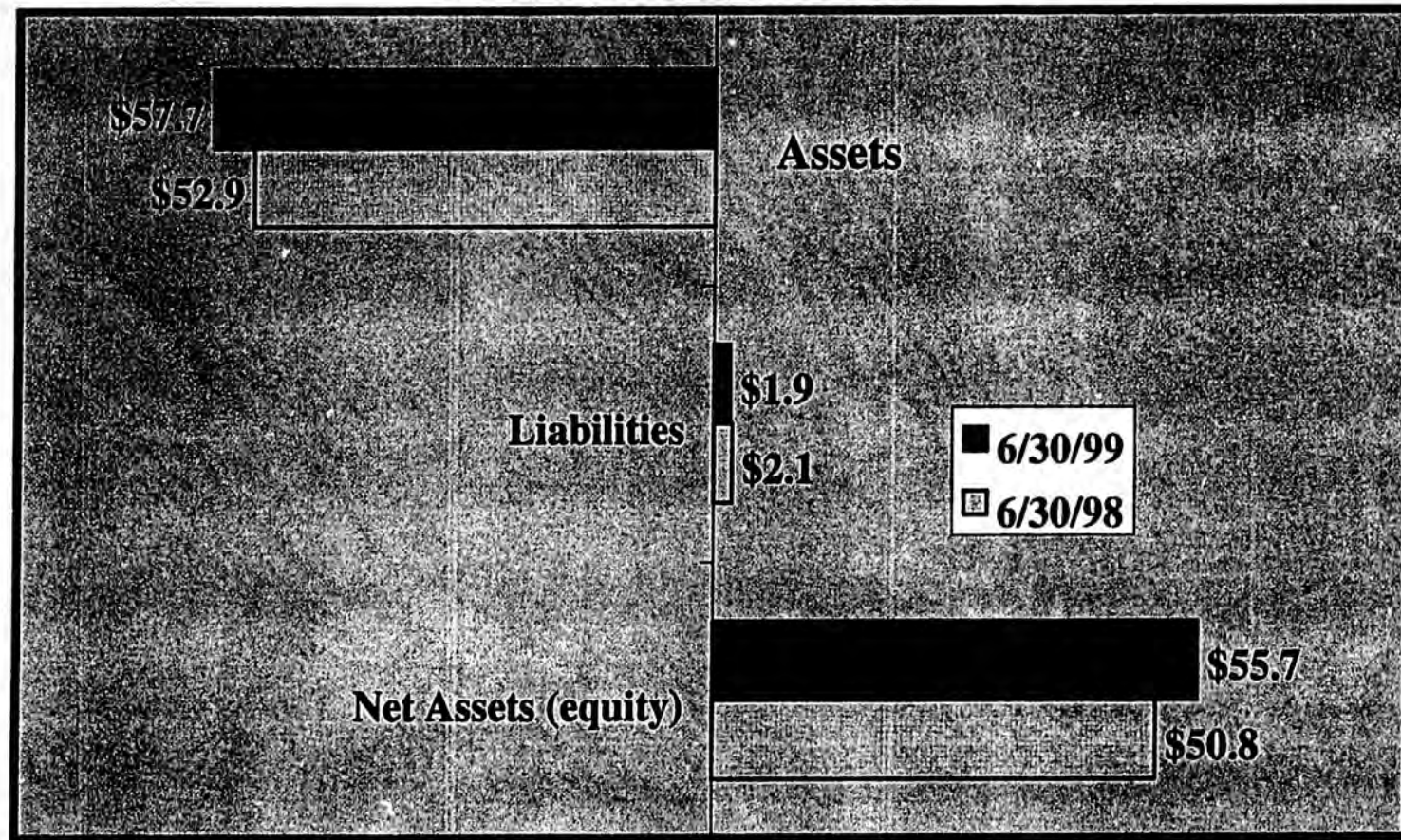
- **1997**

- ▶ **\$29.7 million**
- ▶ **Consolidated with UA Endowment Trust Fund**
- ▶ **Spending 5.0% of 5 yr. moving average of market value**

The logo features a thin, curved line starting from the left side of the page and arching over the text. Below the text, a large, solid black shape, resembling a stylized 'A' or a wing, extends from the center towards the bottom right corner of the page.

**University of Alaska
Foundation**

University of Alaska Foundation Financial Position



\$80.0

Millions

\$0.0

Millions

\$80.0

University of Alaska Foundation Total Assets

