

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1558 SCOMM 59. JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988

1355

for 22 positions and pay \$7-15/hour. He then described the recycling process and benefits of the products. The duration of the Fairbanks' landfill has been extended for an additional 75 years minimum without burying anything harmful; and saves the citizens \$980,000/year excluding the cost of building a new landfill. By comparison, the Anchorage landfill cost was \$100 million with an estimated life of 40 years.

In addition to legislation on recycling waste, they request preference be given to the products if state money is involved in a project.

Number 422

Senator Josephson asked what types of products are produced. Mr. Karl described the fence posts, carstops, and fuel.

Senator Sturgulewski asked about the status of the legislation. Mr. Karl said that Representative Frank has introduced it. Currently, his interest is caught between the larger industries of oil, coal and timber, which are strong lobbying groups.

Number 468

In responding to a question of fencepost costs, Mr. Karl said the 4"x4"x6' is more expensive than spruce, but cheaper than allweather wood or redwood. Iowa enacted a law which requires the use of recycled products in state projects. The carstops are \$25 per, possibly \$1.50/foot with a 100 year guarantee.

Senator Eliason asked what they were doing with other waste products, such as aluminum or ordinary garbage. Mr. Karl responded that garbage is segregated when received. Hazardous material and aluminum are separated by hand and magnets pick out metals for bailing. He has a contract with Seattle Steel for the iron. With regard to organic waste, it ends in compost which they intend to sell as fertilizer. He described the process for making fuel pellets and outlined the process and costs of handling waste from the Fairbanks landfill.

There being no further business to come before the committee, it was adjourned at 6:37 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY

March 3, 1988

5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Dick Eliason
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Fred Zharoff
Senator Pat Rodey

MEMBERS ABSENT

Senator Jack Coghill

WITNESS REGISTER

Jim Barnett, Assemblyman, Municipality of Anchorage
Vice President, Anchorage Economic Development Corp.
10050 Prospect Drive
Anchorage, Alaska

Remington Low, President and
Chairman of the Board
B M Behrends Bank
234 Seward Street
Juneau, Alaska 99801

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:10 p.m. The following legislators were also in attendance: Senators Jay Kerttula, Tim Kelly and Paul Fischer; Representatives Red Boucher, Kay Brown and Dave Donley.

Senator Sturgulewski opened the meeting with a status report on action taken by the House side of the Joint Committee. It has: (1) turned down the Anchorage Economic Recovery Corporation's (AEDC) request for \$250,000 to evaluate FDIC's portfolio; and (2) passed a Resolution relating to the residential real estate market involving

Alaska State Building Authority's (ASBA) proposal on the Willow Park housing project.

She updated the committee on forthcoming meetings and scheduled witnesses. She advised the committee that she has spoken with George Cannelos, who is working on a 20-year master plan of Elmendorf and Fort Richardson. He will be recommending specific elimination of World War II housing, to be replaced with off-base housing. The project will take 5-10 years. She will assure that appropriate officials are notified of the action.

Number 092

Three bills have passed the Senate and pending in the House. Senator Sturgulewski recommended the bills be considered part of the committee's package that will be presented to the full Joint Committee. Senator Halford outlined the provisions of SB 333 relating to priority wage claims in bank liquidations, and SB 392 concerning purchase of loans by the Alaska Industrial Development and Export Authority (AIDEA). Senator Halford moved and asked unanimous consent that the bills be adopted by the committee. Hearing no objections, it was so ordered.

Number 120

Senator Sturgulewski referred to SCR 32 urging flexibility by lenders and collectors, which has also passed the Senate. Senator Fischer, sponsor of the Resolution, commented that it requests financial institutions to go the extra distance in working out problem loans and establish more flexibility in their loan policies. Senator Josephson moved and asked unanimous consent that SCR 32 be adopted by the committee. Hearing no objections, it was so ordered.

Number 147

Jim Barnett, AEDC, addressed the committee about the the Corporation's proposal, as previously referenced. It is currently negotiating with the Federal Deposit Insurance Corporation (FDIC) to do the evaluation. It is their expectation that they can complete the project without any state support if the agreement is approved.

Number 184

Senator Faiks requested that the committee get comments from the Assembly and AEDC on SB 471 relating to business loan guarantee/refinance program under AIDEA; SB 476 which provides municipal assistance for railbelt communities, and SB 477 making appropriation for assistance to railbelt communities. She also requested their comments on a bill to reduce all home mortgages by 2% for three years. Mr.

Barnett, referring to the latter request, said he did not feel there would be support from the Assembly as it is not interested in government subsidies across-the-board.

Number 214

Senator Kerttula asked the scope of the committee in determining which bills it will review. Senator Sturgulewski said discussion has focussed on many bills relating to economic development. Senator Kerttula asked that the Senate not fund the fish hatcheries so that the non-profit organizations can continue to operate; and support the bill to restructure the dairy farm debts. Senator Sturgulewski said that they would be added to the committee's list for review.

Number 270

Representative Kay Brown came before the committee and discussed the Resolution pertaining the the Willow Park housing project, on Ninth Avenue in Anchorage. The project has many code problems and it would be more expensive to bring the project into compliance than to demolish and relocate the tenants. The U. S. Department of Housing and Urban Development through CIAP/MROP would grant \$9 million to purchase alternative housing for tenant relocation, contingent upon securing state funding for the asbestos abatement program (\$1.5-2.0 million) and funding from the Municipality of Anchorage for demolition and site restoration (\$2.2 million). The issue was also raised with the Directors of the Alaska Housing Finance Corporation (AHFC) to see if it would be in its best interest to participate. The members thought it would be appropriate to use the AHFC's reserves for this purpose as AHFC owns a large part of the problem.

Number 319

In response to a question from Senator Sturgulewski about ASBA taking the proposal to Washington, D.C., Representative Brown said the Director of ASBA will be meeting with federal officials, she thought, on March 12, 1988. The proposal represents a statement that the project is moving.

Number 352

Senator Josephson commented on the meeting he and Senator Sturgulewski had with Wes Coyner, Alaska Bankers Association; Remington Low, President and Chairman of B M Behrends Bank; Ed VanPatten, Alaska Federal Savings & Loan; and Craig Dahl, B M Behrends Bank. It was indicated that there are statewide effects to the problems of the banking community and the state being "redlined" by potential outside participants. He distributed the briefing sheet which

contains recommendations that would need approval from the Legislature, AIDEA, and negotiation with FDIC.

Number 385

Remington Low addressed the committee about the proposal. He commented that, after observing the meeting with FDIC officials, he felt there was a sense of urgency, and not much progress has been made in dealing with the economic problems. He and Wes Coyner discussed the situation and they drafted some ideas for deliberation. These proposals do not reflect support or opposition by the Alaska Bankers Association. Three specific concerns which need to be reviewed are: (1) property overhang of FDIC and Alliance Bank; (2) viewing the economy as a whole, such as impacts on small businesses, and (3) problems of the banks. The proposal is as follows:

FDIC sells troubled loans to AIDEA for \$.25 (not firm figure) on the dollar with no recourse to FDIC. Fund assets until resold up to maximum of 12 months.

AIDEA to sell to banks at \$.30 (not firm figure) on the dollar. AIDEA to pay carrying costs, taxes, repairs, etc., but not collection costs.

AIDEA to buy back uncollectable loans up to five years. It could resell them at any price to anyone with no recourse.

Banks be allowed to buy loans up to a given percent of capital if a branch is in the area of the loan on the first round. After the first round, any bank could purchase, including outside institutions.

If the bank repackages and sells a loan that was purchased from AIDEA, AIDEA would receive a percentage of any profit generated from the sale.

AIDEA or Teachers Retirement System could keep or sell as they wished on any terms loans in which they had participated.

AIDEA could pool consumer loans under \$25,000 and sell them in packages, or could issue bonds that would be retired as loans pay off.

The Banks could carry loans off the balance sheet. They could not be subject to criticism from regulatory authorities.

Number 517

Senator Josephson asked what happens if nothing happens. Mr. Low commented on the seriousness of the situation when property values go down, the value of the loans decrease as well and force people out of business.

He spoke about the FDIC proceeding with liquidating their assets; that it does not conduct auctions effectively as it does not have experience in the area.

Number 541

In response to a question from Senator Josephson regarding the impact on the remaining banks, Mr. Low said that the FDIC or OCC (Office of the Comptroller of the Currency) will continue to examine loans. When examining real property used as collateral, they will force the banks to write down the loan according to the market, thus impacting its capital position. It would not be easy for any bank to raise capital.

Number 558

Senator Rodey explained the "ratchet" theory in banking. Assuming you have four banks with \$1.5 billion in loans. The theory was if one bank fails, it will drop property values, and each succeeding bank below it would fail as property values go down. We have had two bank failures and property values have gone down as much as 50%. The dooms-day scenario is every bank ratchets as property values go down. After you get through the four troubled banks, you reach the healthy ones. If their portfolio is only worth \$.40 on the dollar, they are in jeopardy as the OCC can close the banks since they are illiquid. The remaining banks are those that are ratchets of outside banks.

Number 572

Senator Josephson inquired whether the proposal was not detrimental to one bank as opposed to another. Mr. Low said "yes." Senator Josephson asked, if the Legislature decided to pursue the proposal, was he looking is for legislation, or a catalyst to bring the groups together. Mr. Low affirmed the latter suggestion.

Number 581

Representative Boucher relayed the problems a man had with FDIC concerning a performing loan. Mr. Low said the FDIC doesn't come in by itself; it would turn the loan over to another bank. If the FDIC was liquidating, it's another matter as they're not in the loaning business. If the loan had been turned over to another bank and the customer had a line of credit with the failed bank, the assuming bank may not make lines of credit. Further, the FDIC has a \$13

billion fund and just broke even last year. To maintain that level, it has to liquidate; and it doesn't have the flexibility of making allowances.

Number 620

Senator Faiks asked if it were true that all banks could participate equally in the purchase of FDIC's assets; and how banks that are cash-poor could compete. Mr. Low said presently banks' loan-to-deposit (LTD) ratios are fairly low, so there is capital available. He discussed the LTD's seasonal fluctuations and said that there is money available in Southeast. The question is whether the bank's decide to lend, or invest in federal funds or securities.

Tape One, Side Two
Number 644

In discussing the low cash positions, Representative Boucher said in his talk with someone from the Employees Credit Union, the person indicated that loans were down and they did not have a strong cash position. People are cautious; savings are at the highest, and consumer confidence had dropped -- which takes money from lending. If people would save 1% less around the state, it would mean an influx of \$85 million. Mr. Low commented that a 30 year Treasury bond is paying about 8.32% interest and that certainly is not as good as making a loan at 12-13%.

Number 689

Senator Josephson said he had another question of Jim Barnett and asked for clarification of the request before FDIC. Mr. Barnett said the structure of the transaction is FDIC would fund the \$250,000 on a non-recourse basis, nothing is returned to AEDC if it doesn't work. There are various ways of funding the project and none, including bonds, would require the full faith and credit or obligation of the state.

Number 767

Senator Sturgulewski commented that the FDIC could be negotiating with a number of parties. Mr. Barnett said that different responses are received from FDIC, depending on whether it's said publicly versus privately. Senator Josephson asked whether the Legislature should be involved at all. Mr. Barnett said the AEDC proposal was not meant to be mutually exclusive -- to eliminate any other proposal. One problem with the AEDC proposal is that it will create an entity similar to a bank and receive requests for better than existing loan terms. The plan is to establish a non-profit corporation independent of AEDC managed by

bankers and accountants. The corporation would not be lending money, rather conducting workouts on the portfolio.

Number 822

Representative Boucher spoke about his discussion with David Cuddy, Senior Vice President, First National Bank of Anchorage, on the \$250,000 proposal. Mr. Cuddy said that the loans have been picked over; they had immediately rejected 1,000 loans. He thought the evaluation could be done for approximately \$25,000, and bankers agreed that it could be done under \$250,000. Mr. Barnett said that if the entire amount is not necessary, the remainder would be returned.

Number 865

Senator Rodey thought it might not be reasonable to assume that anyone can get the FDIC portfolio without money. They are trustees of public money. While they expressed a willingness to finance, they probably will not finance the entire amount. The Legislature needs to make a decision on whether it is willing to spend any money on the FDIC package; if not, is it willing to provide a state guarantee and have private investors take the package; or do nothing, and be up front with everyone as soon as possible.

Mr. Barnett said another alternative is to wait for the results of the AEDC and FDIC negotiations. He stated that while \$250,000 is high, they're not sure what's in the portfolio or what problems might arise. AEDC has spoken with Sealaska officials about the proposal, and they hope to get the banks involved.

Number 940

Senator Sturgulewski outlined the agenda for the next meeting: (1) Willow Park housing project; (2) status report of actions by FDIC; (3) bill providing for a guarantee program (Senator Halford); (4) responses to Senator Faiks' requests; (5) "smaller banks" request for money (\$18 million to bring 3-4 institutions' capital back to their 1985 level), and (6) "Southwest Plan", a proposal introduced in Texas aimed at assisting Savings & Loans institutions and Savings Bank; and federal legislation of which other resource states have not received benefits.

Number 004

Senator Jones requested the sponsors of the bills to consider incorporating sunset provisions (3-4 years) so they can be reviewed.

Senator Eliason commented the Senate needs to get responses from the House on the proposals. Representative Boucher agreed.

There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:20 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY

March 7, 1988

6:00 P.M.

MEMBERS PRESENT

Senator Lloyd Jones, Co-Chair
Senator Arliss Sturgulewski, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Pat Rodey

MEMBERS ABSENT

Senator Jack Coghill
Senator Dick Eliason
Senator Fred Zharoff

WITNESS REGISTER

James Cairn, Chairman
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ACTION NARRATIVE

Tape Two, Side Two
Number 913

Senator Jones, Senate Co-Chair, called the meeting to order at 6:04 p.m. Senator Tim Kelly was also in attendance.

James Cairn, Hallwood Group, was the guest speaker for the meeting. He advised the committee of his background in the banking industry which, among other things, included serving as President of the American Bankers Association (ABA) and the history of the Hallwood Group. The proposal for the establishment of the Hallwood Alaskan Real Estate Stabilization Trust (Trust) was distributed to the committee. The FDIC asked the Group to look at the Alaska Mutual Bank (Anchorage) and they reported they did not think they could reorganize the bank for the reasons that it was economically viable and concern about the overall state economy. They advised the FDIC that if the group had a larger size and better distribution they might be able to assist -- thus came the merger of UBA, UBA-SE and Alaska Mutual into the Alliance Bank of Alaska. Before the

restructure was completed, they were not financially obligated to complete the transaction but, by that time (October 19, 1987), they had done a lot of work and knew more about the state. Working with the FDIC they were able to buy some time and on January 28, 1988, they closed the transaction which includes an investment from the Group.

Number 095

Mr. Cairn paraphrased from the prepared text (Proposal) on the background of the proposal which set out the existing economic climate of the state and the negative impact that dumping of property would have on the local market: collapse of the fragile price structure and ensure the continuation of the current recession. The objective of the Trust is to prevent a further decline in real estate values by allowing the Trustee of the Trust to manage the liquidation of part of the Trust assets in a manner that would protect the citizens and financial institutions that would be participants in the program.

He commented that the banking system in the state is fragile. The theory provides that if banks fail, others will come in; however, we are a long distance from the Lower 48 and there are differences in our economy. He noted that First Interstate of Anchorage was taken over by a local bank and not by the interstate chain.

Number 250

He addressed the proposal and said Hallwood recommended the establishment of the Trust for the purpose of liquidating the property as promptly as shall be economically feasible. They anticipate that the property will consist of single family homes, condominium projects, apartment buildings, a few office buildings and other commercial structures, shopping centers, parcels of raw and improved land, and non-performing or partly performing mortgage loans. It is their intention that all transferred assets will be recorded in the Trust's books at fair market value as of March 31, 1988 (not set date). The fair market value of real estate should be based on independent outside appraisals, in accordance with accepted appraisal methods, etc.

It is intended that Hallwood will act as the Trustee for the Trust which would be established for an initial ten-year period; and do not think this is a short-term problem. It is intended that a Procedures Agreement be drafted to establish a minimum sales price for each of the transferred assets (what the Trust could sell them for), approved by the Trust Board and that minimum sales prices will be based upon appraised values, but changed from time to time. The Procedures Agreement will also establish restrictions on financing by the Trust although it is

intended that the Trust will offer financing to purchasers of properties. The Trustee's powers and duties would be governed by the Trust but the Agreement would generally authorize the Trustee to preserve and manage, but not to develop the assets. The Trustee would have the discretion, for marketing purposes, to obtain necessary appraisals, feasibility and engineering studies or marketing surveys. It does not see properties being transferred under the Trust to require large amounts of cash flow -- it's a holding trust and a marketing trust not a construction or new development trust.

Number 258

Mr. Cairn continued that as to borrowing funds, the Trust Agreement would provide that borrowings shall not exceed an aggregate of 10% of total Trust assets at appraised value and further, that borrowings may only be made from the State of Alaska, and those borrowings must be secured by any profit which might result from future sales of the assets. Under such borrowings, they would expect the State to rollover interest payments to the extent that such payments were not available out of the Trust's cash flow. It is not anticipated that the Trust will need to avail itself of this borrowing facility, and it is anticipated that the cash flow from the prospective sale of Trust assets, together with \$15 million cash as requested, would be sufficient.

Under the terms of the Distribution Agreement, the Trustee would first satisfy itself that sufficient working capital is available to the Trustee to continue to operate, and only after you have done that would funds be distributed to beneficiary institutions. The Trustee would be empowered to sell off blocks of property to other trusts or corporations dedicated to long-term holdings. They think there are very good opportunities for that.

Insofar as the assistance from the State of Alaska, in order to ensure that the trust if funded with sufficient working capital, they are requesting that the State, through one or more of its agencies, to subscribe the sum of \$15 million in cash to the Trust for which the State shall receive a proportional interest in the Trust. So, as the assets are liquidated, the State will receive their proportion back based on that subscription. That would ensure that, if the property is held off the market or managed more effectively than anticipated, the State would benefit the same as anyone else. It is anticipated that the \$15 million plus the proceeds of the sale of Trust assets would be sufficient to ensure the continuity of the Trust and the payment of all marketing and general and administrative costs and expenses of the Trustee. But if it isn't, they would ask the State to enter into a standby

credit agreement with the Trust whereby the State would agree to advance to the Trust up to 10% of the Trust assets secured by a first lien on the profits that may be realized by the Trustee from future sales of the Trust assets. Repayment of interest and principal upon such loans drawn down during the life of the Trust shall have priority to any distributions of any profit made to beneficiaries of the Trust.

Mr. Cairn felt the key to this, after you stabilize it, is that the property that has been placed in the Trust is free and clear of a lien, because the person who put it there has taken back an interest in the Trust for their contribution or property. The \$15 million is used to pay the carrying costs, and the amount necessary to hold properties off the market so you can manage them and evaluate the loans, the marketing process. He discussed the advantages of working out loans versus foreclosure. Banks do have money to lend at this time.

For real estate owned, professional quality sales packages will need to be prepared for each real estate property. Each package will contain a full description of the property site and improvements, income and expense information, leases, taxes, etc. Both real estate owned and real estate loans deemed appropriate for foreclosure will be marketed for sale although particular care will be taken with regard to the amount and pricing of real estate offered for sale in the local Alaskan marketplace. The major marketing effort, they believe, needs to be to foreign investors, and in most cases, non-American. He discussed Hallwood's international network and its experience in the liquidation process. The total value of real estate properties and loans liquidated over the last five years is in excess of \$300 million. Sales brochures will stress the current Alaskan economic climate and the cyclical nature of the economy and likelihood of early recovery. Foreign investors will be offered a speculative real estate investment on a highly leveraged, non-recourse basis. For the payment of a 20% deposit, buyers will be speculating on the dollar, the oil price and the Alaskan economy.

Number 445

In short, anywhere there's a local investment market and no exchange controls, they will find and motivate an experienced local agent to offer Alaskan real estate. Buyers will also be offered a management service where their local managers will, for a small fee to be cash flow to the Trust, manage the local investment portfolios on behalf of these non-resident investors. They believe that marketing to foreign investors in this way will not pose a threat to the stability of the local market as an investor buying from them will be buying on a long-term hold with a view to

capital gains sometime in the future. They will also be organizing regular marketing trips to Alaska by foreign investors, many of whom will also be interested in other Alaskan commercial development projects, they think.

For this they do not expect to receive any fee. They have invested in the Alliance Bank and they are trying to protect that investment. They do not want to put the Bank back to the FDIC at the end of 18 months. They would like to be reimbursed by the Trust for out-of-pocket expenses and if there is a special distribution, as described, there would be a small fee. This concluded his opening remarks.

Number 484

Senator Sturgulewski asked that he provide a brief explanation of Hallwood's involvement in the Alliance Bank. Mr. Cairn said the original proposal was that Hallwood would raise \$65 million and FDIC would add \$295 million for injection of capital into the bank totalling \$360 million. Hallwood does not invest its own money rather, it attracts institutional investors that it has around the world. The result of the offering is that Hallwood put \$57,300,000 plus into the Bank so they have made a cash contribution of that amount. The balance of the money was put up primarily by the Fidelity group and a few other institutional investors. The FDIC did put up the remainder and the capital was used to do three things: (1) it brought the deficit net worth of the organization up to a net worth of \$110 million; (2) it allowed the Bank to writedown all of its real estate by creating reserves; now there is a reserve of approximately \$130 million against \$220 million of non-performing loans; and (3) it allowed all the real estate that was owned to be written down to its fair market value, so that the \$80 million was originally approximately \$180 million. Of that \$80 million, about one-third of it has been sold. The Bank is strong from a capital point.

The transaction occurred so that at the end of 18 months, if Hallwood feels that the Bank is not going to be economically viable, it can go to the FDIC and say "pay us back the money we have put in", and the FDIC will not only pay back the \$57.3 million but will also pay 90% of the cost of that money while they had it in the Bank.

Number 545

Senator Kelly asked if structuring the Trust would allow them to be more economically viable in 18 months and encourage them to stay in Alliance Bank, and how soon could the program be operable. Mr. Cairn thought it could be operating immediately. They have already hired an attorney experienced in banking law in the Alliance Bank, and brought in systems to account for and manage the

properties. They could take on other personnel as soon as they are available. In terms of assisting Hallwood, he felt that they only need assurance that the Bank will be profitable at some point in the future, and they would like to think they have control of the property overhang and not create more problems.

Number 588

Senator Kelly asked how do they get other institutions to join in their Trust. Mr. Cairn answered that the group has people in place to do the job. The proposal buys everyone some time and carries the cost. The loss is already there and they have accordingly created their reserves. Concerning the question why should institutions join he said if they put in their assets, they get the time to recover and the management of the properties. The FDIC has not yet responded to this same proposal.

In responding to Senator Kelly's question about what happened in the Alaska Mutual Bank's situation. Mr. Cairn said they got all of its accounts, including UBA and UBA-SE, none of that went to the FDIC. In the formation of Alliance Bank, the FDIC put in \$295 million and \$100 million plus was written off. Reserves were set at \$130 million and the rest put in capital, and he explained the shareholders interest and their investment. In discussing the FDIC's involvement, Senator Halford said it had contributed \$570 million. Mr. Cairn said it was an unprecedented effort on behalf of FDIC and the Hallwood group is also focusing all its efforts in bringing capital to the state.

Number 696

Mr. Cairn continued that capitalization of the Trust would be the value of all the assets contributed plus the \$15 million. For those contributions or money, people who gave up the assets or cash would receive an interest in the Trust. The \$15 million would be used to pay for ongoing operations and to that cash would be added rental income and other income from the properties; taking away from that would be salaries, taxes, maintenance expenses, etc. To the extent the \$15 million plus income from properties is insufficient, they would then ask to draw down a loan to keep the Trust alive.

Tape Two, Side One
Number 002

Mr. Cairn said the idea would be to market the property and there would be cash involved. They don't want to see properties put in that require very much cash to hold. An example would be an office building that requires tenant

improvements; they would not want to fund the improvements out of the cash, rather lease it without the improvements and make the lease/sales price lower so that additional cash would not be invested. Or, sell it to a developer and finance the purchase out of one of the financial institutions, including their own. There's no shortage of money to finance, but shortages in money come from operating and carrying costs. The Trust would be available to those that fit the criteria of the agreement. It appears there might be as much as \$800 million worth of real estate classified as eligible for the program.

Number 118

Senator Josephson asked about how they market in foreign countries. Mr. Cairn described how they take the existing market value and offer to sell for 60% of what it would cost to construct, the person could buy it for 20% down, no recourse loan, to be financed over ten years with interest. The value of the dollar could be half of his/her currency, such as the Japanese yen. In this instance, the person stands to make ten times his/her investment if successful; if not, he/she loses it.

Senator Josephson asked how any further instability in the Alaska banking industry would affect the Alliance Bank and Hallwood. Mr. Cairn said that Alaska's economy is different from the rest of the country. It's a special consideration to stabilize the banking environment here, especially concerning Alliance Bank.

Number 249

Senator Sturgulewski asked for information on the non real estate loans in the FDIC portfolio. Mr. Cairn said he has not had a chance to review the loans; but if the loans are viable, they would be willing to take over the loans. She commented that in material from FDIC that as many as 5,000 jobs could be involved in non real estate loans. Mr. Cairn said they would help with restructuring a loan, if necessary.

Number 291

Senator Sturgulewski asked if all that was necessary to create the bridge bank other than Hallwood creating the structure; and the state's \$15 million and potential loan of 10%. Mr. Cairn affirmed the comment and said they would work with state agencies to accomplish it. They are in the process of doing all the documentation which was described. One important element is how they market the properties. It's not just the \$15 million, it's their reputation and their ability to say there is an organized process in place to handle the problem.

Number 339

Senator Faiks asked what types of property and under what circumstances are properties placed in the Trust. Mr. Cairn said the first decision is with the bank that has the loan now. If turned over to the Trust and a determination is made that it is economically better not to foreclose, they will not do so. Under that scenario, it would not be sold to a foreign investor. However, in the reverse situation where the businessman cannot afford the property, it might be packaged and the seller might be the businessman who leases it back.

Number 413

Senator Kelly commented the Hallwood proposal considers the \$15 million a beneficial interest in proportion to the subscription; and a loan to be paid back to the State of Alaska. The proposal the legislature introduced does not address the 10% loan or guarantee or advance of trust assets.

Number 427

Senator Josephson said there was some confusion. Mr. Cairn commented that concerning the \$15 million, the state would stand with everyone else, for example: If the banks contribute \$85 million of current value property and the state puts in \$15 million so there is \$100 million in capital; everyone gets one share for every million dollars. As the property is liquidated, you get your proportion as 15% of anything liquidated back. If they have to go for a loan because they ran out of the \$15 million and need cash, that would be secured by the properties of the sales. Then, you would have a first lien on all assets to the extent of the cost of the sale.

Senator Josephson commented that the purpose is not to have the state be the guarantor of anyone's profit or loss but only to provide a hedge for administrative overhead.

There being no further business to come before the committee, Senator Jones adjourned the meeting at 7:10 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 16, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey

MEMBERS ABSENT

Senator Dick Eliason
Senator Fred Zharoff

WITNESS REGISTER

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ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:10 p.m. Senator Tim Kelly was also in attendance.

Tony Gambiner, Hallwood Group, addressed the committee on the Hallwood Alaskan Real Estate Stabilization Trust (trust), or bridge bank, proposal. He said that Jim Cairns previously discussed the risk to Alaska's banking system

Senate Committee of
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that would be caused if Alliance Bank would fail and the resulting decline of real estate values. They feel the state should take action to alleviate the problem. When they made the original proposal, they asked for an equity investment from the state of \$15 million with allowance for further borrowings. They are now asking for an appropriation limited to \$15 million, but it will only allow them to run the trust for one year. If, during that year, they are able to generate sufficient income from sales of the trust, without collapsing the local market, they will come back with a progress report. Then, if necessary, they will request the state to lend money to the trust.

They feel any action by the state should be conditional upon the FDIC agreeing to participate in the program. Otherwise, the FDIC might be expecting other opportunities for it to sell to third parties, which will be funded by some state agency. In responding to expressed concern that Hallwood, after its 18 month trust commitment, might put its shares in Alliance Bank back to the FDIC, Mr. Gambiner said Hallwood would be contractually obligated to run the trust for the ten year life of the trust. It is in their interest to run the trust because of their large investment in Alliance Bank. If they no longer have that investment, they would propose they pay a fee based on the negotiated pricing structure laid down between FDIC and the 27 beneficiary banks in the 27th Trust. They would then be compensated for the work they were doing, and would continue with their contractual obligation, unless it was felt they should be replaced.

Number 136

Senator Sturgulewski asked about their interest in Alaska Housing Finance Corporation (AHFC). Mr. Gambiner said they were not suggesting that the proposal be conditional upon AHFC joining in, since the state controls AHFC through its own authority. They have talked with Commissioner Tony Smith, Department of Commerce and Economic Development (DCED), and Mr. Gambiner thought the Commissioner was in favor of the project and he is to advise the Governor of his recommendation.

Number 158

Senator Josephson commented he had drafts of CSSB 408 () and CSSB 409 () for committee review. Mr. Gambiner had proposed amendments to the drafts as follows: CSSB 408 (), page 1, line 27, delete "corporations that have interests in" which would give them the power to take over failing banks rather than real estate portfolios.

They discussed whether the appropriation amount should be \$15 million or \$45 million in CSSB 409 () page 1, line 10.

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Mr. Gambiner said the cost of the operation will depend on how much property is managed in the trust. If they assume the trust is limited to Alliance Bank, FDIC and AHFC's portfolios, they think the cost will be \$15 million a year to run it. Until such time as the marketing efforts in the trust have produced an income stream that takes up the slack, they would look to the state to fund it. They intend to come back to the legislature after the first year, provide a status report, advise how much money will be needed for the following year, and make application to borrow that money in a manner similar to that laid down in the original proposal. The \$45 million is their best worst guess of how much money they would need: \$15 million equity investment and a drawdown facility of up to \$30 million. Senator Josephson referred to page 1, lines 10-11, and said the source is not referenced because it will be a judgment call as to what it will be.

Number 226

Senator Josephson asked about reimbursement to the state. Mr. Gambiner said the \$15 million would be invested in equity, the same way as any other participant (i.e., Alliance Bank or FDIC) will contribute property. That property will be valued at current market value and they will receive units or shares or partnership interest in the trust, which entitle them for distributions as these units are sold in the liquidations process. They are asking the state to provide liquidity in the form of cash and asking the beneficiary participants to put in their various properties. The state's money will be used to pay operating costs (management expenses) until such time as income is generated from marketing the assets. He explained the method by which the state would get reimbursed.

Number 275

Senator Sturgulewski commented that U.S. Senator Frank Murkowski informed her that they have requested the Federal Home Loan Bank Board in Seattle, Washington, to take an independent look at our situation and the report will be sent to his office on March 14, 1988.

Number 295

Frank Cox, Small Business Administration (SBA), came to the table. Senator Halford said the bill, SSSB 471, represents the re-write of the original bill with input from AIDEA and Mr. Cox. The bill establishes a program in AIDEA to guarantee business loans and to refinance debt. In response to a question from Senator Coghill, Senator Halford said the business assistance fund will be established with the existing funds in AIDEA.

Mr. Cox said that the legislature may be seeing a little paranoia on the part of AIDEA and they are being careful because they are afraid the banks will rip them off. He has been doing loans for 18 years and the SBA guarantees 90%.

Number 336

Senator Sturgulewski commented that it has been mentioned that this is a bank bailout approach and asked him to answer several questions pertaining the SBA loans. Mr. Cox said there would not be any advantage to a person, who qualifies for his program, to use AIDEA. SBA would guarantee 85%; and get an answer in five days whereas it takes the state 5-6 months to respond. Concerning SBA's delinquency rates, he stated the matter is difficult to address as FDIC has possession of approximately 35% of his portfolio. Before FDIC took some loans, the delinquency rate was 12% (60 plus days); his charge-off rate is 3.2% (loan losses on ten year continuum). AIDEA's 75-80% rule would not change.

Senator Halford said a question was raised about whether they should apply to new loans as well as refinanced. AIDEA was interested that they not apply to refinance. Mr. Cox favored the inclusion of the refinance, not to allow people to pull all the equity from the loans and run, but to help someone by restructuring their payments. Those are the loans, limited to 20 years, that help residents; new loans help those that stepped off the plane last year. SBA does refinance, but only to the benefit of the borrower and not to the bank. Many SBA loans are not real estate based; but working capital. It's much easier to collateralize real estate than working capital.

Number 407

Senator Jones asked whether the banks will take advantage of AIDEA. Mr. Cox responded that it is up to AIDEA to say "we're not interested in doing this deal." If they are credit-worthy, AIDEA should be helping them. Senator Halford explained why it is to the advantage of the bank to refinance good loans: they can take the AIDEA guarantee and sell the loan to someone else, which gives them the capital to operate and make loans.

In response to Senator Coghill's comment about the need to refinance soft assets (working capital, inventory), Mr. Cox said AIDEA could only make loans on hard assets in the past. Senator Halford outlined the method for which AIDEA expands its capital base.

Number 454

Senator Faiks made two points: (1) the bill expands the number of players that can go to outside markets to bring money into the state; and (2) recommended language inserted, if the committee agreed, to include consideration of what's been called soft assets. Would this expand AIDEA's statutory authority and create a major re-write of the bill. Senator Rodey said those actions would expand its authority. Mr. Cox added it could be addressed on a percentage level such as ability to withdraw 10% (or whatever) of equity to be used as working capital.

Senator Halford said the reason AIDEA doesn't allow loans on soft assets is they are dealing with the bond market; it doesn't make sense to go through the bonding process for a short-term working capital loan. Likewise, it doesn't make sense to go through the guarantee process for a loan that is based on short-term asset. He raised the question of what happens during foreclosure: AIDEA felt that during foreclosure, the principal should be paid first. The banks disagree with it and said, essentially, the attorneys' fees and cost of the foreclosure should be paid first, and then the principal. Mr. Cox said SBA gives the bank 90 days, and if they choose, SBA will buy it. At that point, SBA gives the bank the choice to liquidate; if not, SBA will do it. If the bank liquidates, SBA takes some responsibility for controlling the attorneys' fees and other cost. They have not had trouble in telling the bank that SBA will allow \$10,000 in attorneys' fees and that's it. SBA's regulations address the process.

Number 494

Senator Josephson said the 90% figure has been criticized on the basis of it being a bank bailout and the state would be better to reduce the percentage. Mr. Cox said it depends on who is running the program and what type of credit judgments are being made. SBA is dropping its percentage from 90% to 85%.

Senator Coghill asked what percentage of SBA loans are for inventory and accounts receivables. Mr. Cox answered about 30% of loans are specifically for operating capital.

Senator Faiks asked, if possible, could Mr. Cox address the differences in their working relationship with banks than that of AIDEA. Mr. Cox said they assume the banks will act legally with them and normally everything is handled in the documentation.

Number 540

Senator Rodey addressed the inclusion of soft assets for purposes of AIDEA loans. He stated AIDEA was set up as a secondary market, not to deal directly with anyone, due to

the state's delinquency rate (about 40%). When you move into the area of relatively unsecured loans, it has to be carefully considered, as AIDEA was not set up for that purpose. Responding to a question from Senator Coghill, Senator Rodey said the AIDEA bond program does have a restriction on soft asset loans. Mr. Cox added there is equity there that can be recaptured for working capital.

Senator Sturgulewski asked if the SBA had a debt ceiling. Mr. Cox said there was a national limit, maybe \$6.5 billion, that has only been reached twice. She asked if there was any flexibility for SBA to service the market rather than our creation of a loan program. Mr. Cox said the SBA is responding; part of the problem is that AIDEA has much of the collateral, which leaves little collateral for anyone to base a loan. Senator Rodey added that bond covenants are involved.

Number 580

In responding to a inquiry from Senator Sturgulewski about appropriating funds for capital reserves, Mr. Cox stated AIDEA has about \$300 million, with profits of almost \$20 million last year and \$30 million the year before, maybe they should use that.

In discussing SBA's strict guidelines, Mr. Cox said their decline rate is about 5-6 times as high; it used to be less than 1%, and they have had months where they have declined up to 30%.

Senator Sturgulewski said they've heard charges the state program has been subject to political pressure and asked if that was a problem in SBA. Mr. Cox stated it is only a problem if the person that is running the program responds to it.

Number 600

Senator Josephson said, in a situation where the originating bank fails, does it create special problems. Mr. Cox answered that it does if FDIC takes the loans. They have several hundred loans now in the hands of FDIC and they know they are current; but the FDIC, as trustee for the debtor, has them in an account. Because they are in the secondary market, SBA will end up repurchasing the loans. In particular, if you send a payment on a loan, the FDIC puts it into a holding account and doesn't remit the payment to the purchaser in the secondary market. The secondary market wants to get payment on the guarantee. The FDIC doesn't care if they fail; they want money.

Senator Halford recommended the committee support the bill as part of its legislative package.

Tape One, Side Two
Number 652

The committee generally discussed the shifting of responsibilities from banks to AIDEA. Senator Rodey commented that banks are only servicing agencies; they get a fee from AIDEA. The bill does not shift the burden; it remains on AIDEA.

Senator Halford said the banks would probably like to shift the burden to AIDEA, if they could. The major benefit is drawing capital into the state. The bank may sell some of its good loans which they would not have been able to sell without the guarantee; then take the money from the sale and make more good loans. The banks are trying to bail out their bad loans with their good loans and good business. If we can expand their capacity on the positive side, we can help them carry their negative side.

The committee discussed Senator Coghill's concerns about inclusion of soft assets in the bill. Senator Faiks recommended that the bill be considered part of the package as is, since she has another bill which allows AIDEA to take up to 25% equity in refinancing loans. That bill would be a better vehicle for this issue.

Senator Rodey moved and asked unanimous consent that the bill be considered as part of the package. Hearing no objections, it was so ordered.

Number 820

At the request of Senator Zharoff, the committee heard from Nancy Gross, City Manager; Gary Daily, Port Director; and Dennis Robinson, City Council Member and Ounalashka Corporation Board member, of Unalaska, Alaska, concerning a fisheries proposal.

Mr. Daily explained home porting for the American factory troller, the Alaskanization of this industry and what it means to the state and residents. Currently, there are 41 Alaska factory trollers, mostly from Seattle. A factory troller is a vessel approximately 200-300 plus feet in length, the retrofits and costs range from \$17-35 million. To show the significance of the value in terms of jobs and income, the Port of Seattle recently appropriated \$200 million to upgrade its maritime moorage facilities to ensure they retain the factory trollers there. The 41 factory trollers give 240 persons/per troller with jobs which equates to just over 9,800 jobs. In 3-4 years, they are going to double the amount of trollers, resulting in excess of 22,400 jobs.

He continued to provide a history of the bottomfish industry in the state, and explained the chart detailing the fisheries' resources. U.S. Customs and Immigration are located in Dutch Harbor. He then noted the values of state and international fisheries, specifically 1.2 million metric tons of bottomfish, per exvessel value, exceeds \$2 billion; and the impact the industry has on jobs and support services. He felt the key to unlocking the Seattle monopoly was to provide a shore-based facility; they have \$60 million worth of business in a 10,000 foot area in Dutch Harbor which involves relations with 14 nations.

Number 988

Senator Sturgulewski asked about the monetary request. Ms. Gross pointed out that fisheries of the Bering Sea, particularly the bottomfish, per every 5% of revenue from the industry, can attract \$100 million into the state.

Senator Faiks asked how that money arrives in the state. Mr. Daily responded it includes shops, cold storage, processing, cargo, trans-shipment, jobs, fueling, etc. Cold storage in Japan is eight times as expensive than Alaska, and there are three requests for construction for facilities in Unalaska. He said fishing crews are hired out of Anchorage.

Senator Faiks commented if the state could capture 5% of the market, there would be a spin-off of \$100 million in both capital and salary investments, but it would not be every year.

Number 072

Senator Josephson referred to the proposal and commented it did not include the specifics for project description #2, and asked what is necessary to make Anchorage the service center they discussed. Ms. Gross answered that that section of the proposal represents the research Anchorage needs to do to get marketing plans.

Senator Halford asked the total budget of Unalaska and how much is spent on debt service. Ms. Gross said the total general fund budget is about \$4.0-4.5 million annually; they are maximized out on bonds which is one of their problems. They have been carrying, on the books, a population of 1,922 for several years, and this year, C&RA decided their population was 1,331. The Bond Bank will not talk to her; and she looked at an assessment district and was told that 35% of the land is not assessable because it is undeveloped land granted to the village corporation under the ANCSA.

In response to a question from Senator Halford about using revenue bonds for the dock, Ms. Gross responded the problem is the users have said when the city gets the facility, they will sign long-term leases for use; however, the city can't get the revenue bonds until they have the agreements.

Number 123

Senator Jones referred to the renewable resource aspect of fishing and asked how a sustained yield could be guaranteed. Ms. Gross said federal enforcement was necessary, such as the Coast Guard patrolling the area. However, the biological aspects of the waters make it so nutrient rich along the coast and shelf that the Japanese, who have fished the area for 20 years, have not impacted the yield.

Senator Sturgulewski compared the ports of Southeast (120-122 tourship stops/year) and this port which gets over five times that amount. She said the committee would not be able to take any action on the request.

Ms. Gross said there was a House Bill that addresses the request. In response to a question from Senator Halford, Ms. Gross commented their annual budget does not include the school budget; simply operating the electric, water, sewer, utility, port, airport and terminal, etc. that are general operations.

Number 163

The committee decided the next meeting would be a work session on bills and proposals already presented for discussion. There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:31 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY

March 22, 1988

5:15 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey
Senator Fred Zharoff

MEMBERS ABSENT

Senator Dick Eliason
Senator Rick Halford

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Jones, Senate Co-Chair, called the meeting to order at 5:26 p.m. The committee generally discussed actions by the Joint Committee and Senator Sturgulewski commented that it is felt that support from the committee on specific bills will give the bills an extra boost.

Number 091

Senator Jones commented that the first three bills listed on the agenda, SCR 32, SB 333 and SB 392, were already adopted by the committee and pending in the House so further action was not necessary.

The next order of business was consideration of SB 408, CSSB 408 () and CSSB 409 () pertaining to the Alaska stabilization assistance program, and funding for that program. Senator Faiks commented that the committee substitute would support the Hallwood proposal. Senator Sturgulewski talked about the need to firm up the administration's support as it related to real estate, banks and bridge bank proposals.

Number 183

Senator Josephson commented about the drafting of the committee substitute and the intent to get the concept of

the proposal on paper for review. The question is whether something like the Hallwood proposal should be considered, and messages from the administration have been mixed. Senator Coghill felt a new funding base needed to be dealt with and, perhaps, it could come from AIDEA. He is opposed to raiding the Railbelt Energy Fund.

Senator Sturgulewski said it was possible to support the concept of the bridge bank but not support the funding mechanism. The Commissioner of the Department of Commerce and Economic Development (DCED) has proposed taking the outstanding loans being repaid to DCED and transfer them to the Alaska Industrial Development and Export Authority (AIDEA) as a potential source of money for the guarantee program, so the reserves of AIDEA would not be used.

Number 269

Senator Faiks moved that the CSSB 408 () be adopted. The committee discussed the bill at great length. Senator Rodey pointed out it would be possible for the state to provide a guarantee to seek private investors; that mechanism has not been discussed and it would be ultimate form for privatization for a bridge bank or other measures.

In discussing the funding source, Senator Josephson said CSSB 409 () provides that the sum of \$15 million be appropriated; however, the funding source was left blank, as it is yet to be determined.

He moved that the motion be amended to include the concept expressed in Senator Sturgulewski's memo, page 2, paragraph 4A, and change the reference to CSSB 408 ().

Number 335

Senator Faiks amended the motion to say the concept should be forwarded to the standing committee for further study and processing (See Number 645).

Senator Coghill asked for clarification about the reference to troubled financial institutions and state agencies. Senator Faiks responded it said the potential for relieving the pressure of property management for private financial institutions and some state agencies would mean the OREO (Other Real Estate Owned) file of AIDEA, the mobile home and condo portfolio of AHFC, etc. She did not think it would include mining or agriculture loans.

Senator Sturgulewski added the bridge bank concept allows participants to have the assets managed collectively. She did not think there was a limitation, but some loans probably would not fit into that management scheme.

Number 413

Senator Zharoff asked why the effective date was changed from 1992 to 1998. Senator Josephson thought it was to fit into the Hallwood Group's marketing scenario. Senator Faiks stated it was consistent with testimony from ISER and other economic recovery reports that indicated the period for recovery and stabilization of real estate values could possibly take that long.

In response to a question from Senator Coghill, Senator Josephson said the bill addressed loans that are collateralized by real estate. Senator Sturgulewski stated the bill addressed property in the hands of an agency, approximately \$800 million in value; another element, which is not dealt with is the \$200 million in loans on businesses -- loans that need a banking relationship for ongoing credit. Senator Rodey added that AHFC property is insured, so the public investment is covered. Their portfolio could be viewed at 90% real estate plus commercial.

Number 536

To address Senator Coghill's concern about loans secured by inventory, etc. (soft assets), Senator Josephson stated that language could be included to say this chapter does not apply to loans made under the authority of -- (list statute reference).

Senator Jones asked if money would be left to take care of good loans. Senator Rodey said if you stabilize the bad loans, it might enhance the market enough for AIDEA to sell bonds and finance new construction. Senator Josephson added that a \$15 million contribution would not significantly affect AIDEA's lending ability, but it raises a larger question in the different approaches to handling the surplus market.

Senator Sturgulewski said that the state should build a floor for the proposal but limit its involvement; we do not have enough information to say we should commit \$15 million this year and so much next year, etc. She wanted to make sure it is structured so the state gets its money back.

Number 645

Senator Faiks reiterated the motion that the concept should be forwarded to the standing committees for further study and processing. Senator Josephson requested the added language to deal with Senator Coghill's concerns (See Number 536). Senator Jones said there was consensus from the committee on taking this action. The committee took no action on SB 409/CS SB 409 ().

Number 670

Senator Sturgulewski addressed item B, page 2 of memo, concerning SSSB 471 which the committee has previously endorsed. She requested the Senate Finance Committee review setting a cap or maximum limit to the total amount of loans funds that can be guaranteed by AIDEA, and guidelines for private financial institutions to offer refinance debt packages and guidelines for new business loans. The committee thought a sunset clause was already contained in the proposal.

Senator Sturgulewski moved and asked unanimous consent that the above action be taken. Hearing no objections, it was so ordered.

Number 699

Senator Faiks moved that the committee adopt SB 474 and recommend it be amended to remove the section which increases the housing exemption in bankruptcy to \$54,000 in equity to exemption of the home from bankruptcy. (This amendment was later dropped.) Senator Josephson said this is the policy in Texas; the result was risk-takers and entrepreneurs are encouraged to make Texas their home, the "John Connelly" provision. Maybe Alaska could derive some social benefits from it. Senator Rodey said he could see some practical banking problems with it, it is quite complex.

Frank Homan, Aide to Senator Sturgulewski, asked if you exempt the home, how would it work for security on a loan, as the bank would be unable to foreclose on it. Senator Josephson was not sure if you could exempt it from unsecured creditors but not the secured creditors.

Number 781

Senator Coghill raised the issue of mining claims and fishing boats being considered peoples' principal residences. The committee discussed the state and federal exemption laws.

Senator Josephson provided the following example: if you have a mortgage on your house and you file for bankruptcy, the property can be foreclosed on and sold and the value you get from auction goes back to you. So, if the creditor puts your house up for sale, and the exemption is \$27,000, you get the first \$27,000 and the creditor gets the rest. Under this amendment, you get the first \$54,000 and the creditor gets the rest. Senator Rodey added: if you have \$26,000 in equity, you keep the house.

Senator Faiks said the bill doubles the value of each category of exemptions, but does not change other provisions.

Tape One, Side Two
Number 885

It was determined that the chart reviewed by the committee was prepared by the Senate Advisory Committee at the request of Senator Halford's office, which requested information on federal and state exemptions. Senators Josephson and Rodey commented that federal law looks to the states for exemption laws, and only in the absence of a state law does the federal exemptions apply.

The committee discussed the provisions of existing law compared to the bill, and Senator Faiks provided a current list of exemptions. Senator Josephson commented if the bill is passed, it might become more attractive to file bankruptcy since you can keep more of your assets.

Number 015

Senator Sturgulewski stated that since Senator Faiks removed her amendment to the bill involving total exclusion of the home, she did not have a problem with the bill as proposed.

Senator Zharoff added, if adopted, it would limit the creditor's ability for relief. Senator Josephson said when a credit judgment is made, the thrust of the issue is whether the borrower has the ability to pay - not the fine tuning of lending policies. Senator Rodey said the bill is remedial in nature, our state exemptions are too low, regardless of the bad economic situation.

Number 114

Senator Jones said there was consensus that the committee adopt SB 474 and recommend it to the standing committee.

The next order of business was consideration of SB 476 creating the supplemental assistance fund for Railbelt Communities, and SB 477, special appropriation to the Department of Community and Regional Affairs for the above Fund.

Senator Sturgulewski expressed some concerns about the bill, due to the assistance being focussed on a particular geographical area.

Senator Faiks spoke in favor of the bill and detailed the background on the establishment of the Railbelt Energy fund. She said "the money in the general fund is only

there because the state Constitution says we cannot dedicate funds; and in the legislation setting up the Railbelt Energy Fund, it says that the Legislature may appropriate the interest generated by the Fund into the Fund." It was anticipated that the interest kept in the Fund would generate additional money; and she felt the \$31 million belongs to the Railbelt communities.

Number 197

The committee discussed, at length, action on large state projects that are not yet completed, and income generated from other regional sources that are not returned to those specific areas. Senator Coghill said he would support the first bill but wants the appropriation reduced by \$4.9 million for construction of the power line between Cantwell and McKinley Park. Senator Zharoff expressed concern of self-interest legislation; and Senator Sturgulewski commented on the urban-rural split.

Senator Faiks reiterated the Legislative Intent which provided that the money be returned to the Railbelt area; and said that 27 communities in that area have asked for additional assistance. Further, last year \$50 million was taken out of the Railbelt Energy Fund and put into the general fund for everyone to use; this \$31 million belongs to that Fund. Senator Jones said he would prefer money for an identified project be spent on that project.

Senator Rodey moved for adoption of the bill. It was adopted by a vote of 5 yeas and 2 nays (show of hands).

Number 381

Senator Coghill moved that the appropriation contained in SB 477 be amended by reducing the amount by \$5 million, as discussed (See Number 197). Hearing no objections, it was so ordered.

Senator Jones moved for adopted of the bill, as amended. It was adopted by a vote of 5 yeas to 2 nays (show of hands).

Due to the lateness of the hour and conflicts in schedules, Senator Jones adjourned the meeting at 6:44 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 28, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey

MEMBERS ABSENT

Senator Dick Eliason
Senator Fred Zharoff

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:11 p.m. She advised the committee that staff is still attempting to reach Commissioner Tony Smith (DCED), regarding the Department's recommendations to the Governor; and Willis Kirkpatrick, who is out of town. She provided a status report on the House and Senate bills.

Representative Steve Rieger, Co-Chair of the House Economic Recovery Subcommittee on Housing and Banking, began his overview of the House's legislative proposals.

With regard to HJR 72 relating to the residential real estate market, Representative Rieger said, in testimony they received from AHFC and Ron Lehr, it was clear that, with all the repossessions or possible repossessions, the decision-making was not focussed in one state agency. Many of the loans had been resold in the secondary market or guaranteed by some other party, so the state agencies did not have unilateral flexibility to work with the borrower. In using AHFC as an example, he said it would negotiate with MGIC or second lender in an attempt to get an agreement for restructuring or moving people from one condominium unit to another to bring the owner occupancy ratio up to a level where it's bankable again. The Resolution is an expression of support from the Legislature in their efforts.

Number 135

Senator Sturgulewski said it was comparable to a Statement of Intent; and Representative Rieger agreed. The House has already approved the Resolution.

Senator Josephson commented the Senate had a bill dealing with interest rates. Senator Sturgulewski said SCR 32 was similar to it and that it has been adopted on the House side. Senator Josephson referenced Senator Halford's bill that dropped the interest rates and said, assuming the agency was responsive to a policy, we would not need to enact legislation. There has been the perception that AHFC has been reluctant to take action. Representative Rieger said they generally had the impression that AHFC was operating in a spirit of cooperation, but the agency does not have experience in working with distressed borrowers and managing repossessed properties, etc. The House has recommended AHFC be given the authority, out of program receipts, to hire people to take care of these types of problems.

Number 200

Senator Rodey felt that AHFC was more than willing to cooperate as they have a large part of the market, and it is in their best interest to work with the other lenders. The House reduced seven positions last year, and these are the positions that would have handled the workouts. Also, there are legal difficulties with the state's anti-trust law; it is unclear as to whether AHFC's efforts in marketing could be viewed as being in restraint of trade. We need to exempt AHFC from the anti-trust act to allow for marketing stabilization efforts.

Senator Jack Coghill moved and asked unanimous consent that the Senate Committee endorse the concept contained in HCR 72. Hearing no objections, it was so ordered.

Number 432

The next item on the agenda was review of CSHB 432 (L&C) authorizing the Alaska Housing Finance Corporation to accept trades in certain cases. Representative Rieger said the bill was under active consideration; however, the Housing and Banking Subcommittee recommended that there needed to be a trading mechanism in properties involving negative equity and did not specifically endorse the bill. The Subcommittee has provided its draft to the House Judiciary Committee which may incorporate provisions from both measures. The first part of the bill provides direction for AHFC to allow trade into a different mortgage. In referencing the language (page 2, lines 3-5) which states: "Subject to appropriations, the AHFC may use up to one

percent of its total fund equity to achieve the purposes of this section," Representative Rieger said it could be as much as \$15 million. The Housing and Banking Subcommittee left it with a statement of concern that it be applied in an equitable fashion. He then described the difficulty in establishing equal treatment in negative equity situations. The bill also suggests a specific legal instrument in allowing the trades--a negative equity certificate which becomes a lien on the old property. They are awaiting response from Ron Lehr as to whether it will help the situation.

Senator Josephson asked how the negative equity certificate works, in detail. Representative Rieger provided the following scenario: you bought a housing unit for \$100,000 and put 20% down, leaving \$80,000 outstanding; but now it is worth \$60,000--leaving you with \$20,000 "under water". You would like to buy a new unit that now cost \$90,000, so you go to AHFC (which will have some units in their repossessed loans) and indicate your preference to trade for a specific unit. The AHFC would establish your existing unit as worth \$60,000, and you would get a certificate of \$20,000 representing the difference. You negotiate a new loan for the new unit, with \$10,000 down, leaving \$80,000 borrowed. You now have two liens: \$80,000 first mortgage and a \$20,000 negative equity certificate, both secured by the new \$90,000 unit. You are starting out "under water" again. Representative Rieger added there are attorneys in Anchorage working on whether there are other recourses available, but the answers are not back yet. They also want to determine if this process could have more participants, such as PMI (private mortgage insurance).

Number 349

Senator Josephson commented that people thought when they had PMI, that it was similar to a guarantor; but the insurance company said that perception is incorrect. The PMI is to protect against disasters.

In response to comments made by Senator Coghill, Representative Rieger said it was their intent that AHFC would still use some reasonable underwriting guidelines in the property trades. Senator Sturgulewski stated there has been a lot of interest in this bill but it was premature for the committee to act.

Number 407

HB 549, relating to notice requirements on the use of a deed of trust, was considered next. Representative Rieger said the bill had just been introduced that day. It was a partial response to the Supreme Court decision and testimony about persons who did not know they were personally

liable when signing a note secured by a Deed of Trust; or, if they knew it, they expected the lender to go against the Deed of Trust first before they went for personal liability. The bill provides that if a note is secured by a Deed of Trust; it is only secured by the Deed of Trust. If secured by a personal guaranty, it must indicate that and provide the procedures the lender will follow. The procedure is what is in existing law for a non-judicial foreclosure.

Senator Josephson addressed the bill he had drafted (dated 3/28/88, 5-2103A) to reverse the Supreme Court decision. He said the House bill provides that, if you want to retain all the remedies available, it must be set out in disclosure form. The Senate draft provides that, if you conduct a non-judicial sale, there is no deficiency judgment; and if you go through a judicial proceeding, there is sale of the property but no Deed of Trust.

Senator Rodey indicated in order to achieve the desired results, it must be done through election of remedies which is the only constitutional way to do it. The House approach is prospective and the Senate proposal is retrospective. In discussing the situation, he said you can't prohibit people from suing on the note because of impairment of contract. The two bills are not incompatible.

Number 491

Representative Rieger added that some House members were not comfortable with the House bill; they felt it did not go far enough.

Senator Josephson moved and asked unanimous consent that the Senate draft bill be presented as a Senate Judiciary Committee bill. Hearing no objections, it was so ordered.

In discussing action on HB 549, Senator Rodey felt the Senate draft was superior as it forces the election of remedies and effects past, present and future actions. Senator Sturgulewski suggested that the House consider the Senate bill.

Senator Josephson moved and asked unanimous consent that the committee endorse the concept and when the Legislature has reviewed the remedies available to beneficiaries and trustees, under Trust Deeds, it require better disclosure as intended by HB 549. Senator Rodey added it would be most efficient to draft a letter from the committee signed by the Co-Chairs to the committee of jurisdiction. Hearing no objections, it was so ordered.

Number 555

The next order of business was consideration of HB 550 authorizing the Department of Community and Regional Affairs to modify the terms of its mortgage loans. Representative Rieger stated all of state agencies that make mortgage loans, except DCRA, have catch-all language which addresses "acting to preserve the best financial interest of the corporation". It was Jack Chenoweth's opinion that the language was broad enough to allow restructuring, when necessary, except for the HALF (Housing Assistance Loan Fund) and HAF (Homeownership Assistance Funds) loans under DCRA. The bill says, in part, that you can reschedule payments if the loan modification would be in the best financial interest of the department and the state, and considered prudent by private lending standards (page 2, lines 6-9).

Senator Sturgulewski asked if the magnitude of their problem was known. Representative Rieger said the problem is a lot less in this program; they only had a 2-3% delinquency rate. The bill picks up 40-50 loans in the state that might benefit the borrower and the state, if payments could be restructured, rather than straight foreclosure. Senator Rodey said it represents loans outside the area that has been hit the hardest by declining property values.

Number 594

Senator Coghill asked what happened to the accrued interest that is delinquent now. Representative Rieger responded you can renegotiate an interest rate up to a period of five years, and that renegotiation is considered a forgiveness; it does not deal with the amount in arrears. Senator Rodey added a number of farm dwellings are financed under this program. The program differs from AHFC in its ability to modify the terms of the loan. We are protecting the public portfolio over the long run.

Representative Rieger said the House Committee will have a meeting with bankers about foreclosures on Thursday at 8:00 a.m.; and he asked if the House could have them address the Senate bill. Senator Josephson, sponsor, had no objections.

Senator Rodey moved and asked unanimous consent that the committee, by letter, inform the committee of jurisdiction that it recommends they examine the concept embodied in HB 550. Hearing no objections, it was so ordered.

Tape One, Side Two
Number 647

Senator Sturgulewski asked for an update on the HOPE program. Representative Rieger answered that it was going

better; in the way they are getting to people that are just now having trouble but not yet in default.

Senator Rodey noted the program is accelerating and getting better. We set up AHFC as a secondary financial institution with a servicer (private enterprise) between the government bank and the lender to do some of the workout programs. Some servicers are not happy with working out problems with the lenders, as it is not to their advantage.

Senator Sturgulewski and Senator Jones agreed that the committee will notify the appropriate committees of action as it happens, and not wait for a large final report. She noted that Rod Mourant and Jim Lottsfeldt have been attending the House meetings.

There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:00 p.m.

State expert: Economy

By LARRY PERSILY
Associated Press Writer

JUNEAU—Alaskans must expect a different economy in the future, without oil money as the answer and with lower wages as the reality, says Commerce and Economic Development Commissioner Tony Smith.

"The ultimate solution to the problem is industrial development," Smith told a dozen senators and representatives Friday. Industry creates jobs, he said.

Oil money is not the answer to

Alaska's sour economy, he said in testimony before the first meeting of the joint legislative committee on economic recovery.

Smith reported that hard rock mining in Alaska is up 30 percent this year. Tourism, timber and military spending also are on the rise.

"Ultimately, we need a number of small initiatives to allow us to manage our way through the situation," Smith said.

"The oil industry tells me that they squeezed 40 percent out of

their cost system," he told legislators. As the oil industry reduces its cost of doing business in Alaska, he said, it "squeezes the cream" out of the state's economy.

Jobs that paid \$4,000 a month for cooks on the North Slope will be replaced with ones that pay \$1,200 a month on the ski slopes, he said.

Smith said he met this week with Juneau's mayor and talked about new mining jobs in the area that will pay \$10 to \$15 an hour.

"We're looking at a different economy," he said. "We spent our way

will never be same

into the problem. We can't spend our way out of the problem."

In giving a lesson on realism, he said Alaskans can no longer afford to "perpetuate the bubble" of a wealthy economy.

Senate co-chairman of the committee, Lloyd Jones, opened the session with a statement that caught no one by surprise: "We're at a time when the state certainly needs some economic recovery."

The Ketchikan Republican said the state's wealth is in its natural resources. "They're laying out

there on the ground, in the ground and in the ocean."

House chairman of the committee, Max Gruenberg, followed with a report on everything bad about the economy.

The Anchorage Democrat said bankruptcies and home loan defaults are at their highest levels and thousands of jobs have been lost. He said the committee wants to hear from people who know where the economy has been, where it is going and what can be done to help it get better.

A proposed solution to the real estate recession

G. HAYDEN GREEN

Alaska has been besieged by a plague — it is called a real-estate recession and it is going to infect even more people before it's over. Unless the state intervenes and stops the value spiral that the market is in, prices will continue to deteriorate.

This is not a problem that can be passed off as only affecting investors who "paid their money and took their chances." It is a social problem that affects thousands of Alaskans.

The hundreds of millions lost in the recession does not include the decline in appraised values. Declining market values are for many people only paper losses; that is, inflation giveth and recession taketh away. But the real costs being borne in Alaska today are mostly hidden costs, ones that are seldom mentioned.

For example, it has been estimated that 60 percent of the homes in Alaska have a negative equity. What that means is that a portion of the debt service being paid on these homes goes to pay for value that no longer exists. Every month millions of dollars flow out of the state to pay for this negative equity.

A second social cost that is accumulating is in the form of deferred maintenance. Thousands of condos, single family homes, apartment and commercial buildings in both the



private and public sector are not being properly maintained.

A recent study released by economists at UAA is giving many people unwarranted optimism. The economists have stated, and rightly so, that the economy will bottom out in mid-1988. This projection is based on an estimate of the number of jobs lost in the work force.

This does not, however, mean that the purchasing power of the typical family in Alaska will increase or that real estate markets will turn around.

The "HOAP" program introduced by AHFC is not going to resolve this problem either. It will, in fact, make the problem worse for many individuals and prolong the agony for AHFC.

Lenders don't want all of this property so they have devised a way to keep the property in the hands of the borrowers by increasing their loan obligation. A person who already has a negative equity and cannot make his

payments is being encouraged to borrow more money. Then he will end up with a larger negative equity and an even greater incentive to default in the future. Some solution!

Only two solutions will cure the real estate problem; that is, increasing the population or reducing the supply of housing or some combination of both. Increasing the population while reducing the supply is the answer.

The least expensive means of removing some property from the market would be to create a "distressed real estate holding company." This would be a quasi-governmental/private corporation similar to AHFC.

It would need to be funded by seed money to form the entity and to guarantee interest payments on bonds for the first five years. Its primary source of money would be through the sale of 15-year bonds on the world market. Banks and secondary lenders, working in concert with mortgage insurers, could sell distressed real estate holdings to this company in exchange for stock in the corporation.

Of course the holding company would expect to purchase the property at favorable rates, including a reduction for mortgage insurance settlements. This would help resolve some of the asset to liability ratio difficulties facing banks by converting debt for stock (an asset) and it would help get some Alaskans out of housing they cannot afford

without bankruptcy being their only remedy.

Using the money raised through bonding, the holding company would manage this inventory of property while, at the same time, taking it off the market. This would reduce the supply and help restore some of the lost value in all our homes.

As prices recover, the property would be returned to the market place over a 5- to 10-year holding period, being sold at future market prices and the holding company using this profit to repay the interest and principle on the bonds and to pay back the stock issued to the banks. The holding company would create jobs for property managers, maintenance people, real estate agents, and contractors hired to bring deficient property up to code.

This plan will not remove some of the real marginal property from the market. The holding cost of some properties is greater than any economic benefit that will ever be derived from them; therefore, the holding company should not be obligated to purchase just any property. The worst case examples should be removed from the market through demolition.

☐ G. Hayden Green is a professor of real estate at University of Alaska Anchorage.

U.S. Department of Labor seeks to pay off back wages

SEATTLE — The U.S. Department of Labor has \$48,831 in back wages for 67 people whose last known addresses were in Alaska.

Jim Valin, regional administrator for the Employment Standards Administration, said the money represents back wages owed workers under the provisions of the federal Fair Labor Standards Act, the Service Contract Act and the Davis-Bacon and related acts.

After collecting the back wages, Valin said, the Wage Hour Division was unable to find the following individuals:

Thomas Aleup, College
William Andrew, McGrath
Rudy Ayson, McGrath
Annie Bates, Fort Greely
William Black, Fairbanks
Yong Blankenship, Fort Wainwright
Gonzales Blythe, Anchorage
Philip Boles, Fairbanks
Ronnie Britt, Fairbanks
Kevin H. Brown, Anchorage
Man Suk Choi, Anchorage
Terry Christian, Fort Greely
John Copeland, McGrath
Gary Corle, Fairbanks
Daniel Curry, Fairbanks
Fred Don, city unknown
Douglas Easter, Fairbanks
Joseph Edwards, city unknown
Philip Edwards, city unknown
Delmo Geiger, Fairbanks
Donald Gorman, Fairbanks

Berly Harrell, Delta Junction
James Hunt, city unknown
Tae Myong Jacques, Fort Wainwright
Brian Johnson, Anchorage
Douglas Johnson, North Pole
Kyung Kwon Kim, Fairbanks
Song Ae Kim, Fairbanks
Steven Koller, Anchorage
Steven Kroger, Fairbanks
James LaCourt, Fairbanks
Donald Mack, city unknown
Leonardo Meroules, Anchorage
Alex Meyer, Delta Junction
Kenny Murrell, city unknown
Ralph Mold, Fairbanks
Ben Palankuk, Anchorage
Gerald Paluck, Fairbanks
Robert Paluck, Fairbanks
John A. Paul, McGrath
Kirk Payne, city unknown
Robert Probert Jr., city unknown
Richard Rathel, Eielson Air Force Base
Donald Raymond, city unknown

Martha Redman, Fort 68
Daniel Rosenberg, city unknown
Theodore Rizer, city unknown
John Stoughton, Fairbanks
Lionel Smith, Fairbanks
Robert Smith, Fairbanks
Paul Sonny, city unknown
James Stapp, Eielson Air Force Base
Jeffery Sturgeon, Anchorage
William Stutzman, North Pole
Paul Taylor, Fairbanks
Mira Teerth, city unknown
Terry Thompson, Fairbanks
Gerion Vedder, Fairbanks
Timothy Wells, Eielson Air Force Base
David L. Wilson, Palmer
Steven L. Wilson, McGrath
John Wright, Anchorage
Anyone who believes they may be owed back wages should contact the Seattle Regional Office of the Wage-Hour Division, Room 3032 Federal Office Building, 908 First Avenue, Seattle, Wash. 98174. Phone (206) 442-1914.

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a round trip flight anywhere
Data first in the new 4th

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For Self-

Economic chances not all bad — you just have to look for them

The problems and opportunities of real estate markets like ours have become popular topics of discussion on the national real estate scene. Such markets are most often categorized as severely distressed. Others in similar condition are Houston, Dallas, Tulsa and Oklahoma City. We are not unique. This type of market will be with us for a while. We must learn how to cope with it, but even more important, how to take advantage of it and prosper.

The current debate about what the state should do, if anything, to alleviate adjustments in both the residential and commercial sectors illustrates the magnitude of the problem in our economy.

Unfortunately, only a few are taking advantage of the opportunities for solid investment. Many people think that depressed prices and distressed owners are signs that they should stay out of real estate. They reason that the market is going to get a lot worse before it gets better.



chris stephens

This kind of thinking is wrong. It assumes that in a distressed market, all properties are distressed. Nothing could be further from the truth. They assume the current situation accurately portrays the future. That kind of thinking during the recent boom is what got us into this mess in the first place. And it implies that the time to step in is after the market has improved when prices have gone

up, not now when they are low.

The entire market is not depressed. Some excellent properties are doing very well in this market. There are, however, distressed owners with excellent properties who must sell. This puts good properties on the market at bargain prices. Because investors are few, opportunities is out there to make sound investments in excellent properties.

We need to remember that every situation and opportunity is unique. As our past can teach us, the future of Alaska will be shaped by events totally different than our current situation. Change is inevitable. Alaska still has tremendous natural resource wealth and a very small population, which will continue to create healthy market opportunities and wealth-generating investments.

Finally, we must rely on our own perceptions and be willing to invest when others are fearful. We all want to avoid risk. But most avoid risk by waiting until the market is proven safe, because so many others are

investing and making money at it.

What is happening instead is that people are selling because the price is high. They are the people who bought when the market was down, and no one else would buy. Though everyone knows you buy low and sell high, most people buy high and sell low. They are afraid to buy when the price is low because no one else is buying. So they wait, and sure enough, prices do go up.

Distressed real estate markets offer the opportunity of a lifetime, much better than during the boom. Quality properties can be purchased at a price far below replacement value, often with easy financing. When the market recovers, those who invest now will be selling to those who wait until the market is proven safe and prices are higher.

□ Chris Stephens, CCM, is a local associate broker specializing in investment and commercial real estate.

ANCH DAILY NEWS 2/21/88

Legislator proposes a plan to attack economic ills

By SEN. ARLISS STURGULEWSKI

Of all of the economic booms and busts Alaska has experienced, this bust is affecting more of us more severely than any other. Consequently, it's time for the legislature to address fiscal policy issues so that future booms and busts won't affect us so dramatically. During the coming session, we must create some long overdue financial tools.

Billions of dollars rolled into state coffers from the most recent oil boom and then rolled right out again. We spent money on experiments in agriculture, in renewable resource development, in housing, in industrial development, and on quality of life improvements.

There's no denying there were some resounding successes and some equally resounding failures. Our successes have been in areas in which government should be successful. We spent money on school programs and have a good school system statewide.

We improved the health of our citizens through water and sewer projects and through grants to health care providers.

Some successes were cooperative efforts with the private sector. Alaska Industrial Development Authority funded projects that were able to stand on their own merits. The partnerships formed by the Alaska Seafood Marketing Institute with the fishing industry and by the Division of Tourism with the visitor industry paid off in expanded markets for our fish and a steadily increasing stream of visitors to Alaska.

Experiments in which we attempted to directly accelerate pri-

vate development were less successful, however. The Alaska Renewable Resources Corporation only lasted a few years. Agriculture is badly limping and the effort to start a red meat industry was far from successful.

It has become increasingly clear that the private sector must be on its toes to find the competitive and profitable edge and that government's role is to assist through reasonable regulation, responsible resource management and the elimination of roadblocks.

More specifically:

- Now is the time to devise a spending limit that works. The current constitutional spending limit bears absolutely no relationship to the amount of our annual budgets. The constitutional spending limit must be rewritten to tie it to the prior year's budget, and also outline how to dispose of excess revenue when we have it.

- Excess revenue should be at least partially dedicated to a constitutionally mandated budget reserve fund. Rather than frantically casting about for dollars just to keep the state running when revenues plummet as they did in 1985, we will know there is a source of funds for basic costs of government.

- It is critical that we devise and adopt criteria for the funding of capital projects. Life, health, and safety projects should be first in line for funding. Education and transportation both are the responsibility of government and should be funded based on need. Projects that will lead to real economic development should receive priority. Included in the criteria for all of the above must be operations and maintenance costs and a maintenance plan.

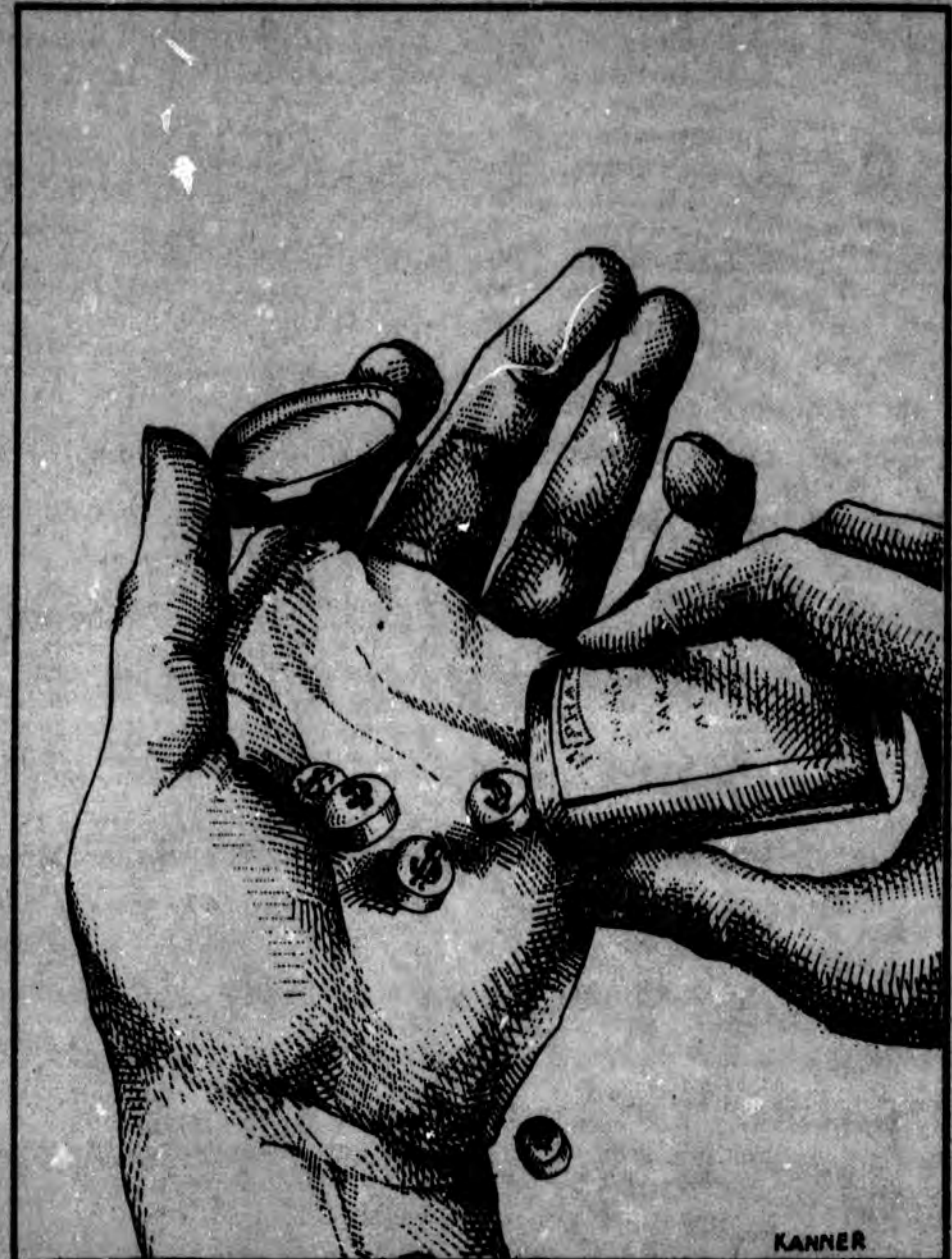
- Although it may seem like closing the barn door after the horse has run away, we need to set standards of accountability for municipal grants, and for grants to non-profit corporations that deliver government services.

- School capital funding has turned into a monster. With the promise of 80 percent reimbursement by the state, municipalities sold \$300 million worth of bonds in one recent year. The debt service on those bonds has become a burden on the state and a source of anxiety for municipalities as they watch to see if the state will budget for the full entitlement. The state should fund for basic schools; extras should be paid for by communities.

- The Alaska Permanent Fund is an excellent counter-cyclical tool for us. It has meant the maintenance of our excellent credit rating in the face of a down economy. It also means that we have a source of income about which the legislature needs to make some decisions — and then go to the voters to confirm those decisions. I personally support using the income of the fund for continuation of the dividends, inflation-proofing, and partial funding for a constitutionally established budget reserve fund.

These are all decisions that can and must be made now. Without the proper tools in place, the next boom could find us allowing history to repeat itself. We can do better.

□ Sen. Arliss Sturgulewski is chairman of the Senate Community and Regional Affairs Committee and the Senate Special Committee on Local and Regional Economic Opportunity.



Funds from National Park Service resurrect plans for Denali resort

The Associated Press

Planning efforts for a resort in Denali State Park have been resurrected with \$100,000 from the National Park Service, state officials say.

A combination of public opposition and the legislature's refusals to ante up

\$200,000 for further study and preparation of a concession contract halted the planning 18 months ago.

But with the \$100,000 from the park service, the state over the next 10 months will revise the Denali State Park master plan. The revisions will provide site selection cri-

teria for a visitor complex and assess the effects of increased public use and recommend park amenities such as trails, campgrounds and parking areas, officials say.

"One of the elements will be the concept of a resort complex and a National Park Service visitor center," said

Neil Johannsen, director of state parks.

The state Department of Natural Resources and federal government hope to increase tourism at the 324,240-acre state park and relieve overcrowding at Denali National Park about 100 miles to the north.

"Things are getting worse up there," Johannsen said of the national park. "We're hitting the point where arguably the top visitor attraction in the state has hit the saturation point."

The Department of Natural Resources also will try again for \$200,000 grant when the

legislature convenes in January. The money would allow the state to look more closely at the economics of a visitor complex in the state park.

The idea of a resort at Denali State Park has been kicked around for nearly 20 years.

ANWR: Congressional, state critics say land swap proposal could cost taxpayers billions

Continued from Page C-1

ets of valuable, privately owned land in the seven refuges without spending federal money.

But at least two of the Native groups have received offers from oil companies for higher rent and royalty payments than the Interior Department generally gets on its oil leases.

Under the plan, the Old Harbor Native corporation would receive rights to 55,000 acres in the Arctic refuge. The Interior Department says these oil rights are worth \$45.7 million, including the value of royalty payments if

recoverable oil is discovered on the land.

Texaco Inc., however, has offered Old Harbor a cash payment of \$45.7 million just for the rights to drill on the 55,000 acres. It also is offering to pay an annual rental of \$3 an acre; a 14 percent royalty on any oil and gas taken from the acreage, and a 1 1/4 percent royalty on the value of any petroleum it recovers from other portions of the refuge.

On its oil and gas leases, the Interior Department gets rental payments of \$2 an acre a year. Its usual royalty rate is 12 1/2 percent, a level that Horn has asked Congress to set on any federal leasing in

the arctic refuge.

The other offer was made to the Koniag Regional Corporation by a consortium headed by Chevron. It applies to 3,183 refuge acres that Interior values at \$77.4 million, including prospective royalties.

Jim Eason, director of the Alaska Division of Gas and Oil, says the Chevron group is offering Koniag a cash payment of \$55 million for the oil rights; annual rental of \$10 an acre on 2,560 acres and \$5 an acre on the balance; a 20 percent royalty with a chance to change this to 40 percent of net profits from drilling on the acreage; a 1/4 percent roy-

alty on the value of any petroleum taken within six miles of the acreage; and a 1/4 percent royalty on any petroleum Chevron would take from any other part of the refuge.

Even if no oil were found in the refuge, these two offers combined would bring Koniag and Old Harbor payments totaling 84 percent of what Interior says their interests are worth.

In trying to convince Congress to open the refuge to oil exploration, Horn has said its reserves could rival the 9 bil-

lion-plus barrels of oil at Prudhoe Bay.

At a royalty rate of 12 1/2 percent, the federal and Alaska treasuries would lose 4.125 cents for each barrel extracted from land traded to Natives.

"The value of the royalty interest alone, should significant discoveries occur, potentially may be measured in the billions of dollars," according to a study by the Alaska Division of Oil and Gas.

Mobil Oil, which is not allied with any of the Native corporations, has been lobby-

ing against the trades. In a memo circulated on Capitol Hill, it said that Interior "significantly undervalued" the refuge land and "significantly inflated" the value of the land it would receive from the Native corporations.

Tom Marshall, former director of the Division of Oil and Gas, said in a consultant study for the National Wildlife Federation, which opposes any drilling in the refuge, that he believes Interior's projections of the refuge's oil reserves are conservative.

Notice...

STATE OF ALASKA NOTICE OF PUBLIC HEARING NEW WASILLA AIRPORT Project No. 55908

The Alaska Department of Transportation and Public Facilities (ADOT&PF) in cooperation with the Federal Aviation Administration (FAA) and the City of Wasilla will hold a public hearing on the proposed relocation of the Wasilla Airport, on Tuesday, November 17, 1987. The hearing will be held at 7:00 p.m. in the City of Wasilla Council Chambers at 290 E. Herning Avenue in Wasilla.

A general aviation airport is proposed for construction south of Jacobeen Lake and the Alaska Railroad Corporation (ARRC) tracks approximately three miles west of the existing airport in Wasilla. The new facility would replace the existing Wasilla airport and would improve the level of air service and safety to the City of Wasilla and surrounding area.



State senate bill would create a real-estate monopoly

I've learned to watch for the word "stabilization" in titles of bills in the Legislature this year. It's become a red flag signaling the worse kind of mischief.

I wrote on April 15 about one such bill, the "Bankers' Bail-Out." I said then that this particular bill was the worse example of the "welfare for business" programs to surface so far. Four days later a couple senators recaptured the "worse bill" title with a new version of SB 408.

This legislation would establish "real property liquidating organizations" to achieve "stabilization of the real estate market." These real property liquidating organizations would be formed by banks, state agencies or other entities holding title for foreclosed real estate property for the purpose of holding real estate off the market to keep home prices higher.

These "organizations" are in fact what antitrust lawyers call a "combination in restraint of trade." The bills sponsors seek to control real estate prices in the same way the Organization of Petroleum Exporting Countries tries to control oil prices, and for the same reasons.

SB 408 would apply to both residential and commercial property.

The bill states, "The Legislature intends to ensure the stability of the



Fred
Pratt

state's real estate markets and prevent a precipitous decline in real estate prices by displacing competition with government regulation in matters relating to the sale and disposition of real property held by financial institutions and state and federal agencies as a result of foreclosure actions."

Think about that for a moment.

The "problem" is the homebuilders and developers overbuilt and real estate dealers and bankers have oversold property in Alaska. The inevitable result in a free economy is that prices fall until supply catches up with demand.

That's bad for the developers, dealers and bankers, but it's good for the consumer because he has more property to choose from and lower prices.

These senators feel that we should instead create monopolies in the real estate market to control property under foreclosure, with the express purpose of keeping prices up.

Now you don't have to be as smart as a state senator to know what would happen next. With all the foreclosure property off the market, real estate prices would go up so much that even more homes would be built. That would perpetuate the oversupply on the real estate market from a short-term "problem" to an enduring economic illness.

Alaskan state senators should know this because we've all watched very closely while exactly the same thing happened in the world oil market. OPEC members limited their own oil production to drive prices up. The higher prices and tight supplies helped bring new supplies into the market from places like Alaska and the North Sea. Eventually, the market collapsed for everyone.

But the effect would reach far beyond the housing market. A liquidating organization could acquire businesses that went belly-up and wound up owned by a bank or state agency. The liquidating organization could be any corporation, trust, fund, partnership, joint venture or other legal entity, and it could continue to operate the business.

That businesses who fail wouldn't drop out of the market, but would continue to compete with the remaining healthy businesses

even more strongly because they could get some rather sweeping legal exemptions to cut their overhead costs.

The sponsors of SB 408 realize they are doing something that would get a businessman in jail if he tried it on his own.

The bill states, "... the Legislature intends to grant authority to the commissioner of Commerce and Economic Development to provide by regulation that ... a real property liquidating organization will be immunized as necessary possible (sic) against potential liability under federal antitrust laws and state antitrust, competition and trade practices laws arising from the operation of the organizations."

This exemption is given in the broadest terms.

The bill would add new language to state law regarding the powers of the commissioner of Commerce and Economic Development saying, "If the commissioner determines that the exemption is necessary to carry out the purposes of this chapter, the commissioner may by regulation exempt real property liquidating organizations from any state law other than this chapter or from any regulation other than one adopted under this chapter."

One could almost understand, with a long stretch of normal moral perception, why the state might want to exempt a banker from antitrust laws in order for him to manipulate the real estate market to his advantage. It's impossible to understand why it would still be necessary to allow a single politically appointed state official to absolve the banker from laws against murder, rape or arson.

If a business property put into these "liquidating organizations" continues to operate, it could get exemptions from mining wastewater regulations, workplace rules, fair employment laws or anything else that suits them and the commissioner of commerce.

What's even more amazing is that these bills are the work of two people who should know better; Sen. Tim Kelly, R-Anchorage, and Sen. Arliss Sturgulewski, R-Anchorage.

Stranger yet is the fact that the bills are being taken seriously by their colleagues. SB 408 was sent to only two committees, and one of those waived consideration of the bill. The Senate Finance Committee was considering SB 408 last week.

Free-lance journalist Fred Pratt has been covering Alaska business and politics for the past 15 years.

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Saturday-Sunday, April 2-3, 1988

Women unionists decry inequity

BEIJING (AP) - The top women officials of labor federations in seven cities issued a statement Friday complaining that women on the job received unequal treatment and demanding a public debate on the issue.

"We call upon the media, economic and theoretical communities, leaders at all levels of the (Communist) party and government ... and all men and women workers to air their own views and actively join in a discussion," the seven women said in the statement, published on the front page of the newspaper Workers' Daily.

Their statement, drafted at a meeting in Beijing, was especially critical of what they said was a growing tendency to fire women once they have children.

Many enterprises also have done away with maternity leave and other "women's benefits" in order to cut costs now that companies are being held responsible for their own profits and losses.

"Some people believe that when a woman becomes pregnant and has a child it is a private matter and becomes a burden for the enterprise," the statement said. "But others believe women carry two heavy loads, of helping produce material goods for society and perpetuating the human race, and this contribution deserves social recognition and special protection."

Women were regarded as inferior in traditional China's rigid social hierarchy but are promised equal treatment in Communist China.



Panama City traffic jammed streets in reaction to their inability

Panamanian would accept

PANAMA CITY, Panama (AP) - Police replaced Gen. Manuel Antonio Noriega's heavily armed soldiers on the streets Friday for the first time since last month's attempted coup against the Panamanian strongman.

The U.S. Defense Department announced it will send 1,300 additional military personnel to Panama, bringing the total number of American troopers there to nearly 12,000.

Panamanians, who are predominantly Roman Catholics, took time out from political activity on Good Friday to prepare for the Easter weekend, but for many that meant only another day of hunger

Saturday-Sunday, April 2-3, 1988

Bank president opposes bailout for banks

The president of the new Alliance Bank visited Ketchikan this week and said he and his group oppose a state bailout for Alaska banks.

Fred Burrows joined Alliance the first of February, a few days after United Bank of Alaska, Southeast joined United Bank Alaska and Alaska Mutual in a merger and reorganization financed by the New York-based Hallwood Group with \$65 million.

Burrows said in an interview Monday that the action needed to assist banks and private citizens is to avoid dumping all foreclosed property in Alaska on the market at once. He said the property should be put on the market over a period of years such as seven or 10, although he said he hasn't studied the issue enough to have a recommended time.

He said Alliance Bank has 2,000 pieces of foreclosed property in its possession. The total of all foreclosed property held by the Federal Deposit Insurance Corporation, other government agencies and banks represents at least \$1 billion in value. Because of the recession in Alaska, people find the appraised value of their homes less than the balance they owe on the mortgage. Many are jobless and unable to make payments or move. To dump more property on the real estate market now would depress the value of real estate more and worsen the situation, Burrows said.

The FDIC, which insures bank customers against losses, however, doesn't like to hold property which it acquires from failed banks. Burrows said if FDIC suddenly dumped

all of the property it holds, that instead of property values dropping the 20 percent they have in the Anchorage area, they would drop two to three times that amount.

Burrows said the economy in Southeast is good compared with Anchorage. This was echoed by Ketchikan Alliance branch manager Dick Axelson, who said that only one Ketchikan property is among the 2,000 which Alliance has taken back on foreclosure.

Burrows joined Alliance Bank as president after 21 years with First Interstate in Oregon and Washington where he rose to president of the Seattle branch. He also ran an advertising agency and recently worked for the Seattle Convention and Visitor Bureau in promoting the new Seattle convention center which opens in June.

Alliance Bank has 13 offices throughout Alaska and is negotiating for a second bank office in Juneau. Its current Juneau office is in Mendenhall Valley and Burrows hopes to see the bank move into the old Alaska Bank of the North offices in the Sealaska Building in downtown Juneau. Bank of the North is one of the four major Alaska banks which failed last year. Bank of the North's assets were purchased by National Bank of Alaska.

Burrows said banking problems aren't confined to Alaska. Banks in other states hit by the depression in the oil and farming are failing. And not all banks in Alaska are failing. He said First Bank of Ketchikan is a sound institution.

Economic Recovery - Newspaper Article

It's time to take economic action

Picture this scene: a very ill patient is laying in a hospital bed. His original case of influenza is nearly gone, but it was so severe that it left him susceptible to pneumonia, which is now threatening his recovery. His vital signs are deteriorating and his prognosis is uncertain.

But oddly, the doctors can't decide what to do! They're huddled in another room, locked in heated debate. Should they do anything, or should they just let nature take its course? If they do "do something," what should it be? Who should do it? Who should get the credit if it works? Who might get blamed if it fails?

Does this scene sound preposterous? It is, but it could happen right here in Alaska. In case you haven't already guessed, the pneumonia patient is the Alaska economy, and the doctors are its elected officials, business leaders, journalists and economists.

As the debate drags on, Alaska is entering its third year of recession. But in recent months, the relevance of the debate has increased. We now have more of an opportunity to stop the deterioration than we had before. The reason is that the nature of our problem has changed.

Two years ago, a large drop in oil prices left a hole in our economy that couldn't be filled. Period. But after losing nearly 10 percent of our jobs and people since then, we have completed most of the necessary downsizing. Our new problem is controlling the financial aftermath of such a sudden and severe adjustment.

That, however, is doable. Financial damage control is much more realistic than trying to immediately replace billions of dollars in lost oil revenue. Yet, the payoff could be enormous.

Indeed, one should not underestimate the damage further financial deterioration could cause and the corresponding benefits of preventing it.

There was nothing about the 1929 stock market crash and ensuing recession that, in themselves, forced the U.S. into a decade-long depression. Rather, it was excessive adherence by policymakers to the "let nature take its course" doctrine during the following five years. That moral doctrine is what led Congress and the central bank to stand idly by while the financial aftermath snow-balled and wiped out nearly



By Scott Hawkins

one-third of the nation's banks, crushed its real estate and business asset values and perpetuated the economic downturn.

Sound familiar? Those that see no parallel between the U.S. in the early 1930s and Alaska in the late 1980s should look again. Four of Alaska's 14 banks have failed in the past year, and they were four of its largest seven. Two are in FDIC receivership and two more were merged with each other and given reprieve through an infusion of capital. Business and real estate assets have plunged in value. Long-time, well-established Alaskans have gone bankrupt.

The potential for yet another cycle of foreclosures, bankruptcies, liquidations, falling asset values, falling financial institutions, job losses, etc., is very real. The FDIC has yet to dispose of the loans and real estate that it is already holding in receivership. Several other banks and thrifts are considered vulnerable, and the newly merged bank has yet to come to grips with the massive portfolio of real estate and troubled loans.

The manner in which these troubled assets are managed will be crucial. If the various managers put short-term cash recovery as their highest priority, they will deal with debtors rigidly and market the foreclosed properties and business assets aggressively.

Obviously, this would further depress asset values and prolong Alaska's financial deterioration. Yet, how can individual managers be expected not to strive for short-term cash recovery, especially in today's business environment?

Several ideas have surfaced in recent weeks. Permanent Fund director Dave Rose has suggested that the state establish a "bridge bank" that would swap stock for real estate with the FDIC and other financial institutions, and then hold those properties off the market or manage them with the intention of stabilizing the market. When the properties are liquidated gradually over period of years, the proceeds — minus expenses — would be returned to the stockholders.

Sealaska and the state Commissioner of Commerce and Economic Development, Tony Smith, are investigating a real estate investment trust (REIT) that would buy up properties, hold them for a period of time, and sell them gradually. It would be funded by native corporations, wealthy Alaskans, not-so-wealthy Alaskans and perhaps even the state.

The organization I represent, the Anchorage Economic Development Corporation (AEDC), has proposed something very similar to Dave Rose's "bridge bank." We would establish a statewide non-profit, non-governmental affiliate to purchase the FDIC's portfolio of loans and properties and manage both with a long-term view toward economic stabilization. Our purchase would be funded by the proceeds of a long-term bond issuance that, depending on how it is structured, may require a "moral backing" or capitalization loan from the state.

Once the FDIC purchase is complete, our concept can be expanded so that some of the troubled assets of other banks and thrifts can be purchased as well. Any surplus revenues that this non-profit corporation realized (in excess of expenses and debt service) would be returned to state and local governments for distribution as economic development block grants.

All of the above proposals are compatible and mutually reinforcing and all seek to stop Alaska's financial deterioration by marketing troubled assets less aggressively. They would stop the deterioration of real estate and business asset values by easing the aggressive competition among sellers. The economy would "hit bottom" sooner, values would begin to recover sooner, and virtually everyone would benefit. A public purpose would be served.

But this is not an issue that can wait a year. If nothing significant is done soon, nature will take its course. And we may or may not like the results.

Economist Scott Hawkins is president of the Anchorage Economic Development Corporation.

Legislature Must Intervene

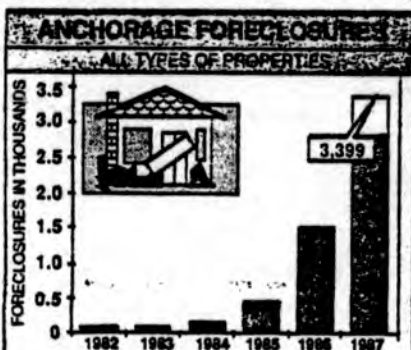
ALASKA'S ECONOMY

A monthly look at economic indicators



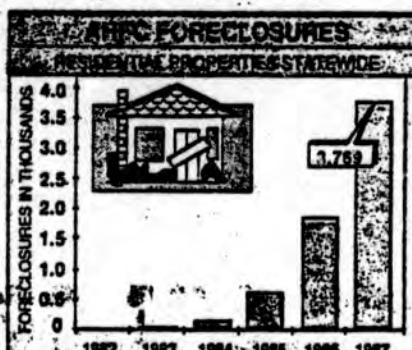
Source: Alaska Dept. of Labor

The number of jobs in Alaska and Anchorage continued to fall in December, meaning the recession continues. But the rate at which they're falling is slowing. Strongest sectors in Anchorage are oil and gas, shipping and trucking, food stores and federal jobs. Weakest are construction, restaurants/bars, finance, insurance, real estate. The big service sector showed a small decline.



Source: Mosaic Computer Services Inc.

Real estate foreclosures set a record last year with 3,399, up 124 percent from 1986. Most of these foreclosures were houses. In 1986 foreclosures grew the most: 216 percent.



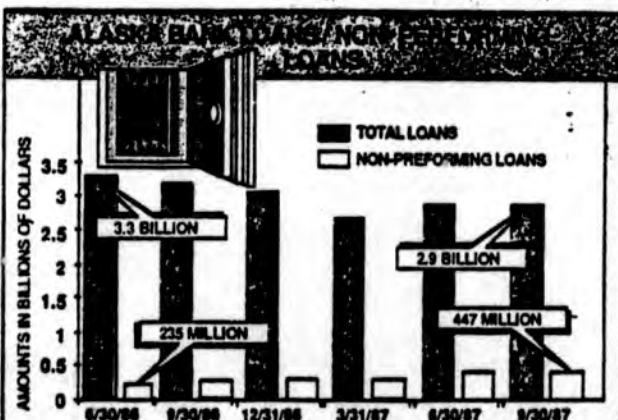
Source: Alaska Housing Finance Corp.

AHFC has financed most of the housing loans in Alaska this decade. Foreclosures grew 102 percent last year. About 850 foreclosures, or 23 percent, were mobile homes.



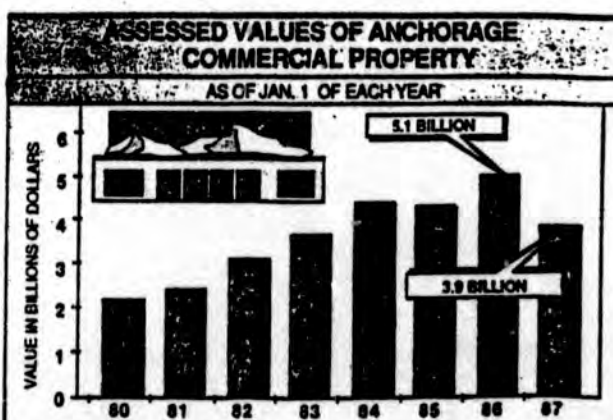
Source: Anchorage Fire Department

Arsons in Anchorage totaled 12 percent of all fires last year, more than double the level of 1985. A poor economy likely is to blame in part, said Robert Taylor, a city fire inspector.



Source: Shearman & Co. Inc., bank financial reports, Alaska Division of Banking

The level of bad loans at Alaska banks is rising while the total number of loans made has fallen off. Non-performing loans total about 16 percent of all loans at Alaska banks, about three times the national average.



Source: Municipal Assessor's Office

Commercial real estate assessed values peaked in 1986 at \$5.1 billion. Assessments made a year ago showed total values of \$3.9 billion, down 24 percent. New assessments for this year are due in March.

ALASKA ECONOMY: Question of state real estate bailout can be confusing

Continued from Page C-1

bill white

State bailout or not?

Questions, yes; answers, sort of

If you don't keep your head down these days, you're likely to get stung by all the hysterical rhetoric shooting through the air about the Anchorage commercial real estate market.

Cash reserves are depleted! Thousands of our friends and neighbors are near ruin! Crashing real estate values will topple hundreds of businesses and mercilessly throw thousands of people out of work! The FDIC will brutally dump its real estate holdings and spread misery everywhere! The Japanese and other OUTSIDERS are ready to swoop down and seize control of Anchorage! The recession is going to become a depression that's going to last for years and years! Oh, despair!

That's a lot of hysteria and rhetoric all right. What's the truth, what's really going on? An Anchorage legislator asked me that last week, as he was being besieged to lend his endorsement to a state rescue effort.

I have an answer, or rather answers. Unfortunately, they are not definitive. But I hope by laying out what I have learned the level of discussion will rise.

First, I must say the hysteria has been focused exclusively on commercial or investment real estate. This has nothing to do with saving your home. Don't be fooled when you hear the words "save our real estate." They're talking about your home.

Now for one of the truths: The legislator asked me for: "Is it a little over a month ago, there wasn't much hysteria at all. But suddenly, members of the Get Government Off Our Backs Party defected and organized under a new banner."

The State Owes Us a Bailout Party, whose emblem is an open hand.

Another truth: Buying Anchorage real estate during the early to mid-1980s was one of the most incredibly bad investments since Hunt brothers tried to corner the silver market. The Alaska Housing Finance Corp. is selling its foreclosed houses at 1981 prices. And just about anybody who bought commercial or investment real estate since 1982 and still owns it probably is eligible for the Dummy Hall of Fame.

This, of course, is hindsight.

Commercial real estate is overbuilt. Rents are falling. Vacancies are rising. This hurts landlords. Obviously, nobody — not the builders, buyers or lenders — saw the fall coming, or they would have stayed away from real estate.

But despite rising foreclosures, only a small number of properties have gone back to lenders. A relatively larger number of commercial real estate loans are troubled.

Commercial real estate assessed values have fallen far. In Anchorage, the total value fell 24 percent last year to \$3.9 billion. This year's number will be out next month, and it's likely to be down again.

GETTING A FIX

As hard as I have tried, I cannot get a solid fix on the state of the commercial real estate market. No one else seems to have one, either.

The main problem is that lenders from all over the nation have financed Anchorage real estate investments.

Bob Motznik of Motznik Computer Services Inc. last week searched local property appraisal records and found that Weyerhaeuser Mortgage Co. owns 47 parcels, Great Western Savings Bank owns 14, Fleet Real Estate Funding has 21, Firemans Fund Mortgage Corp. owns 14 and City Federal Savings Bank has 44.

Ever heard of any of those guys? That's what they foreclosed on. Who knows what local loans still are active with them.

But some pretty good pieces of the picture can be had. For example, Alaska bank financial reports reveal a lot.

Alaska banks — this excludes credit unions and savings and loans — had assets of about \$5.2 billion as of Sept. 30. Of that, about \$165 million, or 3 percent, is listed

as "other real estate owned," which is where they put their foreclosed property. A year earlier they owned \$98 million in OREO. That's a 68 percent increase in a year.

Some people make a mistake right here. They assume the \$165 million is all foreclosed commercial property in Anchorage. It's not. A lot of it is houses and land. A lot of it isn't in Anchorage.

Of that \$165 million total, \$70 million — or 42 percent — was held by Alaska Mutual Bank, United Bank Alaska and United Bank Alaska Southeastern, which have since been saved by the FDIC and reformed as Alliance Bank. Alliance needs to sell its real estate, but it won't dump it because that would cause more foreclosures.

Another \$33 million — or 20 percent — was held by Alaska National Bank of the North and First Interstate Bank of Alaska, which later failed and shut down. The FDIC picked up the real estate.

Ah yes, the dreaded FDIC property.

This property is the focus of much hysteria. The FDIC is going to dump it, sending commercial real estate values spiraling down, according to the Bailout Party. No we won't, says the FDIC. Will too. Will not. And on and on.

Well, what exactly is it that the FDIC owns in Anchorage and should the state buy it?

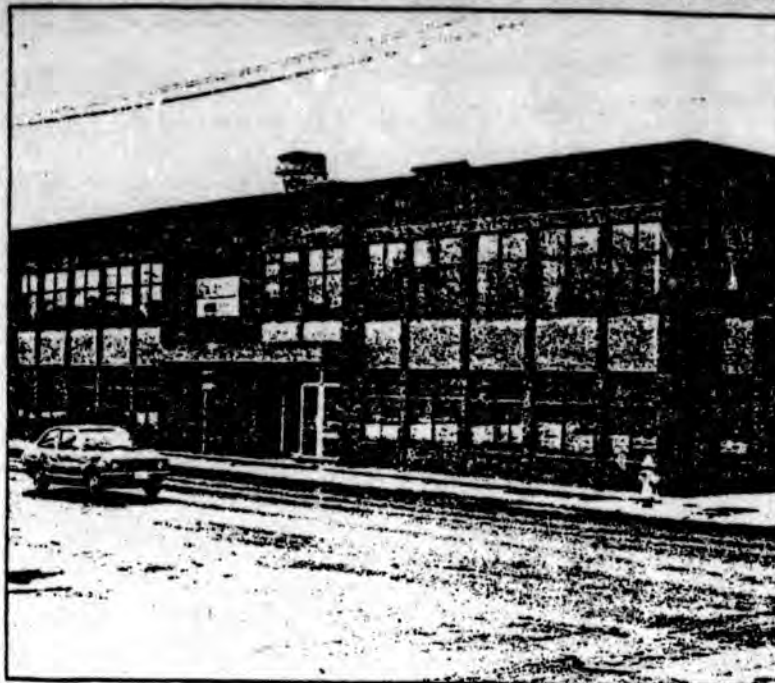
According to the list the agency gave me, it owns 57 condos, 82-plus lots or raw land parcels, one zero-lot-line, seven single-family homes, a duplex, six fourplexes, two apartment buildings, a day-care facility, an office condo, two industrial buildings, a warehouse condo, two hangars at Merrill Field, and an abandoned, dilapidated hotel in downtown.

This is the stuff that's going to vaporize the commercial real estate market in Anchorage? Not hardly.

Another agency whose stockpile of commercial real estate holdings we can see is the Alaska Industrial Development and Export Authority, which provided low-cost state money for development.

AIDEA has 14 properties worth \$8.2 million that it has foreclosed on in Anchorage. They are a Diamond Boulevard strip mall, a grocery store, three retail/warehouses, a small office building, five offices/warehouses, an office/shop, an office condo and a single-family house.

It would be a mistake to leave you with the impression



The economic downturn in recent years has caused many vacancies in office buildings.

that all of the foreclosed commercial property is junk. A nice downtown office building or two is owned by the lender.

BAD LOANS

The bank financial reports also can tell us about bad loans on their books. A certain amount of these bad loans involve real estate. A certain amount will be foreclosed on.

As of Sept. 30, Alaska banks had \$447 million in non-performing loans, on which payments were at least 90 days past due. This is up 54 percent from one year earlier. The pace at which loans are becoming "non-performing" is slowing, according to Willis Kirkpatrick, the state's top banking regulator.

The \$447 million represents 15 percent of the banks' total loans of about \$2.9 billion. That percentage is three times the national average.

Non-performing loans secured by real estate totaled \$292 million on Sept. 30, up from \$140 million on June 30, 1986.

Non-performing business and other loans totaled \$153 million, up from \$75 million 15 months earlier. Some business loans — for inventories, accounts receivable, etc. —

are in trouble because of real estate investments. For example, Alaska Statebank has a strong real estate loan portfolio and a relatively weaker business loan portfolio. Ralph Whitmore, head of the bank, said some businessmen who borrowed also made real estate investments that soured; these investments are draining the business. Whitmore noted his bank's non-performing loan portfolio has stabilized in recent months.

Through the Bank of the North and First Interstate closures, the FDIC has about \$200 million in loans. Because nobody wanted to take them from the FDIC, we can assume these loans are real stinkers.

What can be concluded is that something less than \$447 million in local bank loans will go bad, some of which involve real estate foreclosures.

THE JAPANESE

This still leaves some of the rhetoric unchallenged.

To get answers, I had lunch recently with most of the commercial agents at Jack White Co., a local real estate agency. These agents are the guys who sell commercial and investment property. They

put tenants and landlords together.

This is what they told me about the market (there wasn't unanimity on all these points):

• A few commercial sales have happened, mostly tenants buying their buildings. A Seattle investor bought 168 apartment units last fall.

• Financing is difficult to get. Local lenders are very conservative and the secondary lenders Outside won't touch Alaska, although they have helped finance a lot of Anchorage real estate investments.

• After long resistance, bankers about six months ago started agreeing to lower payments and other breaks for distressed borrowers.

• Japanese and Outside institutional investors aren't hovering over Anchorage waiting to buy until the market hits bottom. Most properties aren't high enough quality to interest them. The best properties are occupied and not for sale.

• Rents for the class A properties are falling, and vacancies are rising. This is a double whammy for the owners. They're right on the break-even point. Some owners have done OK because they had tenants locked in on old leases. As these leases

expire and the tenants renegotiate their rents, the pressure on rents to fall will continue.

• As much as 100,000 square feet might have come on the market because of bank closures and mergers last year.

POLITICS

Real estate has been the source of tremendous wealth in Anchorage. In the early 1980s boom, real estate also was connected to a certain amount of economic activity. Lots of jobs were created for construction workers, bankers, title company employees, real estate agents. The sources of this growth largely were state-financed construction projects and state-subsidized mortgages.

We do know this wealth is falling. As I said, assessed values of Anchorage commercial property declined a big 24 percent last year.

Falling real estate values do suck potential growth out of the economy. Investors can't cash in their equity and spend it on new wealth. They might have to tap other funds to keep their real estate investments afloat.

The question is: What is greater, the amount of growth lost by the absence of potential investment money in a bum real estate market, or the amount of new wealth created by expansion of basic economic sectors?

As I have written in the past, the federal government and oil industry are growing. These are two of the four basic industries in Anchorage. The other two are state government and tourism, both of which are off a bit. Most other sectors — which rely on the solidity of the four basic industries — are still shrinking, but more slowly than in the past.

Most economists predicting the recession will bottom out this year say basic economic growth will out-muscle the opportunities lost by dropping real estate values; this does not mean the values won't drop farther.

Those arguing for a bailout — many of whom have heavy real estate investments — take the opposite position. They want the legislature to purchase foreclosed property and warehouse them to buy a bottom to the market.

Who is right?

You can make up your own minds. It's not an economic question anyway.

This is politics.

□ Bill White is business editor of the Daily News.

Anchorage Daily News - Sunday, February 7, 1988

fdic foreclosures

The following is a list of real estate owned in Alaska by the Federal Deposit Insurance Corp. The FDIC obtained the property after the closure of Security National Bank in 1988 and of Alaska National Bank of the North and First Interstate Bank of Alaska last fall. The FDIC supplied the list.

ANCHORAGE
Hotel, corner of West 8th Avenue and C Street, in need of extensive repairs.
Two hangars at Merrill Field, 4,200 square foot office building, 26 paved tie-downs.
Shop of 4,600 square feet, office of 3,200 square feet, 7040 Homer Drive.
Nine-unit warehouse condo, 230 E. Potter, 1,178 to 2,419 sq ft per unit.
Industrial building, 6340 Petersburg St., two story, 12,476 sq ft.
Seven office condos, 201 Barrow St., 993 to 3,600 sq ft.
Day-care facility, 101 Davis, 3,254 sq ft.
Apartment building, 4534 Lake Otis Parkway, 36 units.
Mara Cates Apartments, 310-320 W. 32nd St., six two-bedroom units, 12 one-bedroom units.
Three fourplexes, 9521, 9531 and 9541 Morningglade, each unit contains two bedrooms, two baths.
Fourplex, 7410 Nancy St., each unit has two bedrooms, one bath, 792 sq ft.
Fourplex, 7410-7420 Nancy St., each unit has two bedrooms, one bath, 792 sq ft.
Fourplex, 7400 Nancy St., each unit with two bedrooms, one bath, 650 sq ft.
Duplex, 1437 Birchwood, each unit contains two bedrooms, one bath, 1,160 square feet.
Single-family house, 4228 Laurel St., four bedrooms, two baths, two-car garage, 1,872 sq ft.

aidea foreclosures

The following is a list of real estate owned by the Alaska Industrial Development and Export Authority. The state agency helps finance commercial development through low-interest state financing. AIDEA acquired the property in loan foreclosures.

ANCHORAGE
Shopping mall, 300 E. Diamond Boulevard, 27,820 sq ft.
Grocery store, 2600 E. 10th Ave., 6,988 sq ft.
Retail/warehouse, 3243 Commercial Drive, 4,200 square feet.
Retail/warehouse, 7900-7910 King St., 6,172 sq ft.
Retail/warehouse, East 6th Avenue and Juneau Street, 13,600 sq ft.
Office building, 444 H St., 4656 sq ft.
Office/warehouse, 2121 Abbott Road, 12,000 sq ft.
Office/warehouse, 1418 Spar.
Office/warehouse, 6841 Fairbanks St., 7,500 sq ft.
Office/warehouse, 6236 Hansen Way, 13,394 sq ft.

Single-family house, 10506 Prospect Drive, three bedrooms, three baths, garage and carport.
Single-family house, 8220 Kip Court, three bedrooms, two baths, garage, 1,700 sq ft.
Two single-family houses, 1151 and 1153 W. 71st Ave., each with four bedrooms, two baths, 2,688 sq ft.
Zero-lot-line house, 6060 Clear Haven Circle, three bedrooms, 2 1/2 baths, two-car garage.
Two condos, 9810 and 9820 Morningglade, each two bedrooms, two baths, one-car garage, 716 to 759 sq ft.
Twelve condos, 201 Barrow St., units typically having 2-3 bedrooms, 1 1/2 baths, 700 to 1,100 sq ft.
Condo, 2020 W. 35th Ave., townhouse style, two bedrooms, one bath, 700 sq ft.
Six condo units, 11301 and 11311 Pyramid Drive, each with two bedrooms, one bath, garage, 786 sq ft.
Sixteen condos, Lakespur Street, each with three

bedrooms, 2 1/2 baths, 1,270 square feet.
Three one-bedroom condos, 409 Taylor St., each with one bath, 540 sq ft.
Six ten condos, 4000 Sager St., each with three bedrooms, 2 1/2 baths, two-car garage, 1,820 sq ft.
Five condos, 324 E. Dowling Road, three-story townhouse style, each with three bedrooms, 2 1/2 baths, two-car garage, 1,782 sq ft.
Two-bedroom condo, 3608 Lois Drive, one bath, carport, 700 sq ft.
Eleven single-family lots, East 57th Avenue and Klans.
Twenty single-family lots off Jewel Lake Road and West 80th Avenue; commercial lot at Dowling Road and the Gerdard Highway frontage road.
Four single-family lots, 100th Avenue.
Two lots, 1.81 and 3.81 acres, on east side of

Office/warehouse, 6161 B St., 9,500 sq ft.
Office/shop, 5001 Eagle St., 10,550 sq ft.
Office condo, 101 9th Ave., unit A-7, 860 sq ft.
Single-family house, 4228 Laurel St., 1,872 sq ft.

OUTSIDE ANCHORAGE
Wesley, retail/warehouse, Airport Heights subdivision, 24,098 sq ft.
Palmer, vacant lot, Shaw Tr-Lakes #2.
Anchor Point, Keystone Center shopping mall.
Homer, office building on Kachemak Drive, 11,792 sq ft.
Homer, shopping mall/office building, Kachemak View Addition, 8568 sq ft.
Chitna, garage.
Valdez, retail/office, Mineral Creek Subdivision.
Fairbanks, J. McCall Inc. yard, Mile 7 of Richardson Highway.
Fairbanks, River Shopping Mall.
Fairbanks, grocery store/apartment building.
Central, 4,400 sq ft big lodge on 3.8 acre lot.
Barnes, hangar at Barnes Airport.
Juneau, Jordan Creek Office Condo, 1,193 sq ft.
Sitka, 18 units of 20,000 sq ft business park.

Seward Highway between Huffman and O'Malley roads.
Lots totaling 720,676 sq ft, north of Dowling Road, south of Alpine Apartments.
Lots, Vacount Circle, Birchwood Estates Subdivision.
Sixteen lots, Vacount Circle of West 80th Avenue.
Single-family lot, 227 Potter, currently contains old, dilapidated building.
Fourteen patio lots, Park Down Estates.
Five single-family lots, about 20 miles north of Anchorage off the Glenn Highway, .93 to 1.84 acres.
Single-family lot, 6821 Cheryl St.
Raw land on Stamp Circle off Upper DeArmon Road, 1.17 acres.
Raw land, East 1/2 addition subdivision.
EAGLE RIVER
Single-family house, Junita St., three bedrooms, 2 1/2

baths, car port, 734 sq ft.
Single-family house, 8900 Tostee, three bedrooms, 1 1/2 baths, garage, 1,844 sq ft.

PALMER
Motherlode Lodge at Hatcher Pass, two story recreational lodge with restaurant, lounge, 17 guest rooms on 4.80 acres.
Single-family house, 7875 Woodview Drive, 3 bedrooms, 2 baths, spa, 1,859 sq ft.
Single-family house, 17550 Mead Road, three bedrooms, 1 1/2 baths, 1,440 sq ft.

Single-family residence, 250 Albrecht, two bedrooms, 1 1/2 baths and 1,130 sq ft.

Single-family residence, 230 Albrecht, three bedrooms, one bath, 1,148 sq ft.

Mobile home, 10701 Oak Circle and Marsh Road, 52,25x12-foot Fleming, two bedrooms, one bath, 675 sq ft.

Single-family and commercial lots, and a single-family home, Palmer-Wasilla Highway, 15 residential lots, two commercial lots.

Raw land, 730 Isenberg Circle, 5.77 acres, electricity, gas and water available.

Raw land, Mile 91 of Parks Highway, 80 undeveloped lots 1 1/2 miles east of Highway.

Raw land, Clark-Wolverine Road, 20 undeveloped acres on Lazy Mountain.
Raw land, Clark-Wolverine Road, 50 undeveloped acres on Lazy Mountain.
Raw land, eight miles east of Palmer, four acres near Polar Raceway.

WASILLA
Commercial office space, near Carr's Mall, 8,578 sq ft.
Shop/warehouse, 5251 Mayflower Lane, 4,800 sq ft.
Shop, 3,200 sq ft. warehouse, 1,800 sq ft. office.
Office condo, Fairbrook Road, Unit A.

Fourplex, 680 Recluse Circle, each unit with two bedrooms, one bath, 1,000 sq ft.

Single-family house, 5650 Alderwood Drive, three bedrooms, two baths, 950 sq ft.

Single-family house, Amberwood Subdivision, three bedrooms, two baths, 1,408 sq ft.
Single-family house and barn, 760 Hyer Road, three bedrooms, 2 1/2 baths, workshop.
Single-family house, Longbeach Subdivision, three bedrooms, two baths, garage, 1,594 sq ft.
Single-family house, 3550 Banner Way, five bed-

rooms, two baths, upgraded, 3,016 sq ft.
Single-family house, 300 Schwalbe Drive, three bedrooms, two baths, deck, 1,640 sq ft.

Two lots, Amberwood Subdivision, 40,000 sq ft. each, private well and septic tank.
Six parcels raw land, Mile 80 Parks Highway, 238 acres.

Raw land, Mile 80 Parks Highway, commercial/industrial zoning, five acres, unimproved.
Raw land, Mile 80 Parks Highway, 238 acres, 68 lots.

BIG LAKE
Office/locks, Burtchore Subdivision, 9,200 sq ft of office space, 33 units of storage space with a dock and shop area.

Thirty half-acre lots, north of Edgerton Highway at mile 7.2.

TALKEETNA
Nine lots, one acre each.

SEWARD
Fourplex, 1902-1904 Phoenix, each unit with two bedrooms, two baths.
Lots, 1.48 acres, gravel road access, no utilities.

STERLING
Two single-family homes, 1st Street, one with two bedrooms, one bath, 1,342 sq ft., the other has three bedrooms, one bath and 1,440 sq ft.

SOLDOTNA
Restaurant, 44315 Starting Highway, the old Wendy's Restaurant.

SENAI
Two lots, Merle Avenue, near Nishik, set up for a mobile home.
Raw land, 910 Third St., 33 acres.

Raw land, mile 14.1 Kasilof Ferry River Road, 58.76 acres, no road access.

HOMER
Fourplex, 105 Bayview, each unit with two bedrooms, two baths.
Single-family house, Old Starting Highway, four bedrooms, 1 bath.

Condo, 1394 Lakeshore.
Condo, Landings Condo, two bedrooms, one bath, 776 sq ft.
JUNEAU
Restaurant, 7099 Old Glacier Highway, the old Wendy's restaurant.

The real estate market: Some good news, but more bad

The current real estate depression is the worst one in the history of Alaska. In some areas, buyer demand is nonexistent.

The effects are far-reaching. It has hurt everyone from the multi-millionaires who no longer have deep pockets to the mobile homeowner who has lost all equity. The depression has caused six banks to fold. When a bank closes the doors, it's not only the stockholders and employees who suffer, but also the real estate owner who no longer collects rent from a prime tenant.

Here are some specifics:

Single Family Homes — The price drop averaged 30 percent in two years. Appraisers now use a value decrease of -1 percent per month for homes priced below \$160,000. (Four years ago it was plus 1 percent per month.) A flood of higher priced homes came on the market in '85 and '86 caused by the "golden handshake" policy of oil companies, which sent new retirees out of Anchorage. Most of these homes have now been absorbed and the inventory is down from last year. In short, the worst is over and upper-priced homes should not decline much more in value.

Condos — Prices have dropped 50 percent in two years. Sales are negligible. There's no financing for many units, and the oversupply is so huge that there's no hope for a solution in the foreseeable future.

Mobile Homes — Similar to the condo problem. What can be done with thousands of vacant units?

Apartments — The overall vacancy rate is about 25 percent with much higher vacancies in lower end and older buildings. In three years the rent on a two-bedroom apartment has dropped from \$750 per month to \$450.

Sale prices have also nosedived. A 78 unit project that sold for \$46,000 per unit in '84, resold in '87 for \$15,400 per unit. Prices have tumbled below replacement costs and are at the level obtained in the early '70s. Four-plexes that sold for \$250,000 a few years ago now sell for \$100,000 to \$150,000.

Office Space — The overall



By
Sewell F.
Faulkner

vacancy rate has climbed to about 22 percent or a total of 1,700,000 square feet in Anchorage. This is equivalent to six Hunt Ensearch buildings standing vacant. Rents have decreased 33 percent in two years. Most buildings now have a negative cash flow because rent receipts do not cover maintenance and debt service.

Industrial Space — Construction and oil service companies have been the main users and with construction flat and oil drilling way down, the result is lots of vacant space. Warehouse rents have plummeted from a high of \$.85 to as low as \$.35 per square foot per month.

Retail Space — Indoor malls have good occupancy with the exception of the new Fifth Avenue Mall, which is a super addition to downtown Anchorage and probably the nicest mall in the state. Rates have decreased 50 percent in a hodgepodge of strip malls that never should have been built and occupancy is low. Good quality, well-planned strip malls are 90 percent full.

Commercial Land — We know of only two sales of commercial land in the entire municipality in 1987. Despite a completely dead market, there has been no dumping at give away prices yet.

Residential Land — Aside from a few lot sales there were no large sales of residential land in 1987.

Recreational Property — From the Mat Valley to the Kenai, the demand for cabins and remote sites was way down; i.e., we know of only three waterfront parcels that sold in all of Kachemak Bay in 1987.

Alyeska is one exception to the above; well-located chalets are holding their value. The im-

mediate future for Alyeska is bright, mainly because work starts this year on the first phase of the new 30 million dollar hotel, serial tramway, surface lifts and restaurant. Also, Robert Trent Jones has completed a design study for a championship golf course on municipal land near Alyeska. Unfortunately, as in Anchorage, there is an over supply of condos and some prices have dropped 50 percent from their '84 high.

Summary — The above real estate report is probably the most dismal ever written in Alaska and possibly the most dismal ever created by a real estate broker. In short, the stock crash on Oct. 19, in proportion, is nothing compared to the two year bash in Southcentral Alaska real estate.

So, what's ahead?

What can be done?

There are two answers.

The first is to sit back and hope something unpredictable will solve our problems. This is a possibility and has happened before. Examples are the 1973 Middle East war that caused oil prices to skyrocket or the 1964 earthquake that produced a reconstruction boom.

The second answer is not to try to conquer a multi-billion dollar problem in one swoop but to work on it from many fronts. Inching forward with a number of solutions could definitely help put some confidence back in our economy. Here are a few specific areas that could help:

1. Economists should quit burying their heads in sand and simple job statistics and examine the real estate segment, especially commercial real estate.

2. Lenders, whether individuals or institutions, should realize that workouts are much better than foreclosures. Lower debt costs are a necessity for most property owners.

3. Bankers and/or the Federal Deposit Insurance Corporation should refrain from dumping real estate that could further depress the market. At the same time, we should be very grateful to the F.D.I.C. for the huge investment it has made in our econ-

omy.

4. Certain attorneys should forget their adversary role and aim toward "workouts."

5. Local governments should do everything to help. Do they realize that tax appraisals are usually two years behind the market whether it's a rising market or a falling one. Also, is a 20 percent penalty fair for a tax bill

paid one day late?

6. The state government should ... (too numerous to mention.)

If some of the above steps, plus others, are taken this year, we feel sure that we can start seeing daylight again. We must remember that we're not the first city or state to hit a crash. For instance, 10 short years ago Boston was in a similar quag-

mire with a depressing 13 percent unemployment rate. Today, Boston is riding the crest of a boom with real estate prices soaring. The future for Alaska is definitely a good one with much higher oil prices and enjoying life in the very best of our 50 states.

Sewell F. Faulkner is with The Jack White Company, an Anchorage real estate firm.

Saturday, January 23, 1988, The Anchorage Times A-7

Frank Rod

Mayor gets grim view of economy

Consultant recommends wide-ranging measures

By DON HUNTER
Daily News reporter

Instead of nearing a late-1988 rebound, as some economists have predicted, Anchorage is caught in a downward spiral that can be interrupted only by a comprehensive attack on unemployment and gluts in housing and commercial real estate markets, according to a report prepared for Mayor Tom Fink.

"It would be nice to argue that recovery is just ahead," consultant Vic Fischer wrote in the 98-page study called "Anchorage Recovery Program: Review of Economic Factors."

"But in reality, even the slight growth they (more optimistic economists) project is not likely to occur. Unless the situation changes drastically, the downward pressures on the economy will slow and defeat economic recovery," Fischer said in the report.



Vic Fischer

Fischer is a former Democratic state senator and a planning and economic development specialist. Fink paid his company, Vic Fischer and Associates, \$26,000 to assess the economic damage to Anchorage precipitated by the collapse in world oil prices in 1986. On the whole, the study echoes many of the ideas Fink has offered for restoring the economy.

But Fischer attacks one well-publicized element of Fink's recovery plan: He labels a proposal to use public funds to buy foreclosed properties to prop up the real estate market as a politically impractical concept that detracts from serious attempts to improve the economy.

"What I concluded," Fischer said Wednesday, "was that this infatuation with the real estate market as being the ... focus of a crisis, is just a red herring, particularly talking about the bailout. ...

"There is not going to be an appropriation from anybody for a bailout. Anybody can talk about it as something horrible that we mustn't do, but it completely diverts us from dealing with some of the tough, underlying problems," Fischer said.

"One has to deal with all aspects, with every aspect of the depressed economy and the depressing economy. In housing, for example, it's not just single-family houses, it's not just condos, it's not just mobile homes, it's all those damn things."

ECONOMY: Consultant says rebound not in sight

Continued from Page A-1

In coping with those underlying problems, though, Fischer embraces a number of tactics taken by Fink. Among those is the idea of trying to stabilize the commercial real estate market by taking older, vacant properties off the market until demand increases.

Fink originally proposed using the Alaska Permanent Fund to finance such acquisitions, but since has said he would accept other financing sources, public or private, that could accomplish the same end. Fischer says real estate trusts could acquire and hold property with little if any public investment needed.

Fink commissioned Fischer to write the report last month, after another study, by the University of Alaska Anchorage's Institute for Social and Economic Research, concluded that recovery is in sight.

Fischer formerly headed the organization that became ISER.

A week after release of the ISER study, the mayor told the Anchorage Board of Realtors he had hired Fischer "just to refute" the ISER study.

Fischer, then and now, insists that neither the mayor nor any city official tried to influence his findings. In several instances, however, Fischer's findings reflect what Fink has been saying since his campaign for mayor last fall:

- The best way to salvage the plummeting value of the city's housing stock is by eliminating surplus, substandard apartments and condominiums, moving lower-income families into better dwellings and using other vacant condos and apartments as university dormitories or for needy groups.

- The state should create or expand jobs programs reminiscent of

the Great Depression-era projects devised by Franklin Roosevelt to put people to work.

- "The crash of the commercial property market ... is one of the basic causes of the continuing economic slide," Fischer's study says. The only way to affect the commercial market in the short run is "taking and keeping property off the market ... until a stabilized level of prices and rents is attained."

- Anchorage's economy is sick and getting sicker. In Fischer's analogy, it has a cancer "which spreads unseen and eats us away, bit by bit, organ by organ. If not treated it can destroy us."

- The principal choice facing Alaska officials is between action and inaction. "Should we act to arrest the downward spiraling of the economy? Should we act to salvage the people who are losing their homes? Should we act to slow the failure of businesses and the loss of jobs? ... Or should our choice be inaction? We could sit back, do nothing, and wait for the economy to right itself. Essentially, this would mean keeping government out of the situation and letting the marketplace determine what happens. Of course, that might be like waiting for the cancer to cure itself."

- Because a large proportion of the city's populace is employed by the government, many people are insulated from the effects of the recession and do not understand how deeply it hurts others.

Any similarity between his suggestions and Fink's is merely coincidental, Fischer said Wednesday.

"I can't help that," he said. "The mayor has talked about it, (Commerce Commissioner) Tony Smith has talked about it, Rick Halford. ... I was not out to discover new

truths. My assignment was to document the character of the Anchorage economy, to define the problems and look at the preconditions for recovery."

"Fink had (a list with) 15 or 20 different items on it; none of the items were longer than one sentence," Fischer said. "I did not even refer to those. Those were ideas that were being thrown out as a means of starting a dialogue."

In a couple of instances, the economic picture worsened between the draft and final versions. A sentence in the draft about population trends — "The most recent data suggests that the steep drop is over and the rate of loss is slowing" — fell out, and the number of jobs lost in Anchorage in 1986 and 1987 grew from 17,000 in the draft to 21,000 in the final report.

Fischer attributed those changes to updated city projections.

The ISER study released early in January reported that drops in statewide employment had slowed and predicted job growth would resume at a rate of about 1.4 percent annually over the next eight years and that population would grow at a rate of about .8 percent annually. Parts of the ISER study are excerpted in Fischer's report.

The difference in the studies, Fischer said, is that ISER only looked at employment prospects.

"The situation is that they did not consider the downward pressures, for instance the fact there are still thousands of bankruptcies in the works, hundreds of millions in delinquent loans. As those are foreclosed, there are going to be more job losses, more businesses go out, more housing vacated, and so on and so forth."

State senate bill would create a real-estate monopoly

I've learned to watch for the word "stabilization" in titles of bills in the Legislature this year. It's become a red flag signaling the worse kind of mischief.

I wrote on April 15 about one such bill, the "Bankers' Bail-Out." I said then that this particular bill was the worse example of the "welfare for business" programs to surface so far. Four days later a couple senators recaptured the "worse bill" title with a new version of SB 408.

This legislation would establish "real property liquidating organizations" to achieve "stabilization of the real estate market." These real property liquidating organizations would be formed by banks, state agencies or other entities holding title for foreclosed real estate property for the purpose of holding real estate off the market to keep home prices higher.

These "organizations" are in fact what antitrust lawyers call a "combination in restraint of trade." The bills sponsors seek to control real estate prices in the same way the Organization of Petroleum Exporting Countries tries to control oil prices, and for the same reasons.

SB 408 would apply to both residential and commercial property.

The bill states, "The Legislature intends to ensure the stability of the



**Fred
Pratt**

state's real estate markets and prevent a precipitous decline in real estate prices by displacing competition with government regulation in matters relating to the sale and disposition of real property held by financial institutions and state and federal agencies as a result of foreclosure actions."

Think about that for a moment. The "problem" is the homebuilders and developers overbuilt and real estate dealers and bankers have oversold property in Alaska. The inevitable result in a free economy is that prices fall until supply catches up with demand.

That's bad for the developers, dealers and bankers, but it's good for the consumer because he has more property to choose from and lower prices.

These senators feel that we should instead create monopolies in the real estate market to control property under foreclosure, with the express purpose of keeping prices up.

Now you don't have to be as smart as a state senator to know what would happen next. With all the foreclosure property off the market, real estate prices would go up so much that even more homes would be built. That would perpetuate the oversupply on the real estate market from a short-term "problem" to an enduring economic illness.

Alaskan state senators should know this because we've all watched very closely while exactly the same thing happened in the world oil market. OPEC members limited their own oil production to drive prices up. The higher prices and tight supplies helped bring new supplies into the market from places like Alaska and the North Sea. Eventually, the market collapsed for everyone.

But the effect would reach far beyond the housing market. A liquidating organization could acquire businesses that went belly-up and wound up owned by a bank or state agency. The liquidating organization could be any corporation, trust, fund, partnership, joint venture or other legal entity, and it could continue to operate the business.

That businesses who fail wouldn't drop out of the market, but would continue to compete with the remaining healthy businesses

even more strongly because they could get some rather sweeping legal exemptions to cut their overhead costs.

The sponsors of SB 408 realize they are doing something that would get a businessman in jail if he tried it on his own.

The bill states, "... the Legislature intends to grant authority to the commissioner of Commerce and Economic Development to provide by regulation that ... a real property liquidating organization will be immunized as necessary possible (sic) against potential liability under federal antitrust laws and state antitrust, competition and trade practices laws arising from the operation of the organizations."

This exemption is given in the broadest terms.

The bill would add new language to state law regarding the powers of the commissioner of Commerce and Economic Development saying, "If the commissioner determines that the exemption is necessary to carry out the purposes of this chapter, the commissioner may by regulation exempt real property liquidating organizations from any state law other than this chapter or from any regulation other than one adopted under this chapter."

One could almost understand, with a long stretch of normal moral perception, why the state might want to exempt a banker from antitrust laws in order for him to manipulate the real estate market to his advantage. It's impossible to understand why it would still be necessary to allow a single politically appointed state official to absolve the banker from laws against murder, rape or arson.

If a business property put into these "liquidating organizations" continues to operate, it could get exemptions from mining wastewater regulations, workplace rules, fair employment laws or anything else that suits them and the commissioner of commerce.

What's even more amazing is that these bills are the work of two people who should know better; Sen. Tim Kelly, R-Anchorage, and Sen. Arliss Sturgulewski, R-Anchorage.

Stranger yet is the fact that the bills are being taken seriously by their colleagues. SB 408 was sent to only two committees, and one of those waived consideration of the bill. The Senate Finance Committee was considering SB 408 last week.

Free-lance journalist Fred Pratt has been covering Alaska business and politics for the past 15 years.

Alky	1	8	140	1%	6%	13%	1%
AlloP	1	8	182	13%	13	13	
AlloPc	.30	18	41	14%	13%	13%	3%
AlloPm	.64	42	40	15%	13	15%	3%
AlloGL	1.74	11	2612	277%	254%	27	13%
AlloM	.12	11	2329	8	6%	6%	1%
AlloNc	.401	1	12	12	12	12	1%
AlloPv	.106	6	11	9%	8%	9%	1%
AlloPm	.28	15	1067	6%	6%	6%	1%
AlloP of	1.05		478	9%	9%	9%	1%
AlloPm			111	6	6		
AlloPm			12	1547	9%	8%	9%
AlloPm	.77e		503	28%	26%	28	11%
AlloPm			15	142	31%	2%	31%
AlloPc			37	16	15%	15%	1%
AlloPm			7	135	4%	4%	4%
AlloPm	.16b		14	4355	211%	10%	10%
AlloPm			32	10285	29%	26%	28%
AlloPm			151	13%	12%	13%	1%
AlloPm			896	13	13	13	3%
AlloPm			299	6%	5%	6	1%
AlloPm			188	3%	3%	3%	1%
AlloPm			1338	3%	3%	3%	1%
AlloPm			922	1%	1%	1%	1%
AlloPm			13	42	8%	7%	8%
AlloPm			2	445	2	1%	1%
AlloPm			36	4663	7%	6%	7%
AlloPm			33	95	25%	24%	24%
AlloPm			8063	2	1%	1%	1%
AlloPm			366	14%	13%	14	3%
AlloPm	.08		42	77	5%	5%	1%

BEL	.246	13	478	5%	5½	5% + ¼
BGS	1.106	18	113	8½	8	8½ + ⅓
BHA		13	400	12½	12½	12¾ + ⅓
BIW Cb			313	5	4½	4½ - ⅓
BAJ	.52	11	x69	21½	21	21 - ⅓
BH	.24	18	31	16½	15½	16½ + 1/16
SIR Intec			2686	6	5½	5½ + ½
TB Fin	.72	9	38	16½	15½	16
BTR	.07		555 x	74		7½ + ¾
Badger	.72a			8	30½	27 - 2
BakFrn	4.40e			117	39½	39½ + ⅓
Baker	.06	13	1110	10½	10½	10½ + ¾
Balchm	.02e		16	65	5	5 - ¾
BIDLY	.20	5	199	13	12½	12½ + ⅓
BaldPia		9	212	15¼	14¼	15¼ + ¾
Baland s		26	185	15½	14½	15½ + ¼
Balfex	.05a	8	451	9¼	8¾	8¾ - ⅓
BnPnc	1.1	11	94	23	22¼	23 + ¾
BnPop	1.32	8	70	29¼	28¼	28½ + ⅓
Bancokl			235	14	14	14½ - ⅓
BcpHW	1.76	9	1100	52½	51½	52¼ + ½
BcMIs	.68	13	73	25½	23½	25 + 1½
Banctec		9	922	8½	8½	8½ - ⅓
BandoM	.61e		x189	67½	6½	6½ + ⅓
BangH	1.08	8	345	13½	12½	13¼ + ¼
BankAI		7	59	14½	14	14
BdDel	s .88	12	193	26½	25½	26½ + ¾
BcGrn	s .36	18	74	29	27½	27½ + 1
BkNH	.84	10	593	24½	23½	23¾ + ⅓
BcSou	.44b	12	389	13	12½	13 + ¼
BcSfId	s .05e	10	12	9½	9½	9½ + ⅓
Bnstel	.48		879	10½	9½	9½ - ¾
BnkFst			658	8½	7½	7½ + ¼
BkrNte		10	91	2	11½	11½
BkgCitr	.80	11	536	32½	31½	31¾ + ¼
BknRth	1.52b	9	162	35	34	34½ + ¾
Bklwa			16	55	54	54½ + ¾
BKMAM		1	744	3-16	3	15-16 - 3-16
Bankvt	.24	20	x199	20	19¾	19¾ + ⅓
BkWorc	.80	13	3156	14½	13½	14¼ + ¼
Banta	.44	14	1975	22½	18	22¼ + 3/16
Barden	1	15	11	39	37	37 - ⅓
BarER s			51	3¼	3	3½ + ⅓
Barris		23	3047	11½	9½	10½ + ¾
BarjJw		17	116	10¼	10¼	10½ - ⅓

ChVcm s		3356	19%	18%	19	+ 44
ChVnrv	.11r	9	95	124	124	+ 1
Cardyn	.40	17	41	124	124	+ 1
Carboe	.06		96	3%	3%	
Cermik		341		3%	3%	
Cerner		18	244	1912	2015	+ 44
Cetun		5864	21%	11%	12	- 1
Chalint		80	1%	7%	7%	
Chelone		134	87	11	10%	+ 44
ChncPr		25	391	81%	7%	7%
ChncCp	.17e	12	72	94%	9%	+ 1
Chenins		6	610	84%	7%	7%
Chapral		50	17-32	7-16	17-32	
ChapEn		3285	7-32	3-16	3-16	- 32
CharCh		14	6	51%	5%	
ChrmSh	.12	14	19140	12	11%	11%
ChrtCrI		7	77	13	11%	12%
ChrtPd	.05e	11	x157	51%	5	
ChtOne			635	8%	7%	8
Chrtwl		20	1411	9	8%	+ 44
ChalmH	.80	15	65	55%	55%	+ 1/2
Chalmf	.56	12	11	19	16%	17%
ChkPi		67	493	8	7%	
ChkTch		50	140	54%	5	- 1/2
Chcmir		34	26%	4%	41%	+ 1/2
Chermx		24	2106	4%	3%	4%
Chcmf wt		185	5-32	5-32	5-32	- 1/4
Chcmfx		26	851	6	5%	5%
ChFwf		24	641	101%	91%	10
ChLee		11	61	26	23	26
Chorse		11	1389	9%	91%	+ 1/2
ChrcCo	.12	10	243	u17%	16	16%
ChseUll	1.20		25	24	22	23
Chesore	.41e		115	151%	14%	14%
ChesSf s			1821	41%	34%	34%
ChDock	.31e	73	75	261%	25%	261%
ChldDs			500	u	4%	41%
ChlAut		10	4502	10%	9%	10%
ChldWld		12	696	164%	15%	15%
Chills		21	497	24%	24%	24%
ChipsTc		12	8283	17%	17%	17%
Chiron			2096	151%	131%	15
Chlndf s	.60	21	214	174%	17	174%
Chronr	1		612	7%	6%	7%
ChRDrf	.22	15	2151	121%	11%	121%
Cimco		16	113	14%	14	14%
CinnFn	1.76	8	282	48%	46%	48%
CinMic		7	82	51%	48%	48%
Ciphr	.13	27	266	331%	321%	331%
Ciprico		22	5125	9%	91%	9%
Circadin		325	u	7	61%	61%
CircEx		4249	1%	1%	1%	1%
CircIFA		17	1109	6	4%	5%
Circon		11	327	5	4%	4%
Citpst			1151	3%	31%	3%
CitpSt		12	321	31%	3	3
CitpStC.12		9	7217	24%	24	24
CitpBkg	.96	8	x110	201%	19%	201%
CitpFgl	.06a	10	32	u71%	61%	71%
CitpFg s	.76	16	38510	2181%	261%	27%
CitZins			105	u26%	16	241%
CitZNY		5	412	94%	9	9
CitZSmd			217	81%	8	8
CitZSF s		3	103	13%	12	13%
CitZU s	1	23	1388	35%	33%	35%
CitZU B al.20		20	323	21%	21%	21%
CitZU B al.20		20	x4793	4%	41%	4%
CitpFb2.10			162	141%	13%	14
CitpFbC	.40		88	2	11-16	2
CitVld			3	34	31	31
CitVldTr	1c	1311	4%	41%	41%	4
CitVnC	.64b	12	1247	24%	22%	24%
CitVNs g		258	15	15-16	11-16	15
CitVNs g		13	21	141%	14%	14%
CitVbCp	1.12	9	x455	47%	46%	47%
ClabrB	.72		5	11%	11%	11%
Clairns		9	340	51%	4%	5

Company	1994	1995	1996	1997		
Company	1994	1995	1996	1997		
Company	1994	1995	1996	1997		
EA Eng	22	35	41%	8	8	—
EA Mar	542	4%	4	4%	1%	
ECAD	28	308%	9%	8%	9%	1%
ECI Tel	16	97	3%	2%	2%	1%
EIL Inst	16	78	7%	6%	7	—
EIP	12	246	4%	4%	4%	1%
ELXSI	47	229%	1%	13-32	15-32	—
EMC Inc	7	154	8%	8	8%	1%
EMCON	12	142	13%	12%	12%	—
EMPI	15	92	2%	2%	2%	1%
ESSEF	14	676	18%	17%	18	—
ETown	2.88	11	47	44	41%	41%
EZEM	17	373	13%	13	13%	1%
EqIBn s	7	124	10%	10%	10%	—
EqiIT	27	473	15-16	16	13-16 + 1-16	—
EqiIT w/a	1	1	1	1	1	—
EarthT	140	4%	3%	4	—	1%
Esco	18	1905	13	12%	12%	—
EastWy	1.5e	110	18%	18	18	—
EastnB	2.0e	12	139	17%	16	16%
EastnB	9	822	5%	5%	5%	1%
Eastex	9	576	3%	2%	2%	1%
Eastfwr	1.60	12	41	13%	13	13%
EastnF	10	8	47	13%	13	13%
EastnV	36	10	487	22%	22	22
Edcscm	63	294	5%	4%	5	—
EdicAcr	161	3	2%	2%	2%	1%
EdSeult	1.40	11	11	20%	20	20
EiChic	382	3%	3%	3%	3%	—
EiPolio	621	17-16	1%	1%	1%	—
EiPas	1.52	16	1455	15%	15	15%
EiJan s	51	1268	11%	10%	10%	—
EiBif g	.09e	5	254	5%	4%	—
Eico	.88	10	177	31	30%	30%
Eicotei s	9	1178	5%	5%	5%	1%
Eidced	10	216	8%	8	8%	1%
EiCath	92	3%	3%	3%	3%	—
EieNucl	93	2255	14%	13%	13%	—
EicRci	13	178	15	14%	15	15
EicSci	998	9%	9	9%	9	—
EicSen s	26	887	3%	3%	3%	—
EiuxAB	686	427%	7%	42%	42%	—
EicTime	13	1007	13%	12%	12%	—
EicTel	.04e	61	130	5%	5	5
Elexis	284	2%	2	2%	2	—
EliotSv	1.0e	436	10%	9%	9%	—
ElmwdF	139	7%	6%	7	7	—
ElironEI	668	3%	3	7-16	3	7-16
EmpIns	1	4%	4%	4%	4%	—
EmpOrr	66	1-16	1	1	1	—
EmpSB	2	8	8	8	8	—
Emulex	15	2789	8%	7%	8	—
Encore	2335	2%	2	2	2	—
Engras	8	153	15%	15%	15%	—
EnpntH	1.32	11	84	120%	19%	19%
EngCnv	2767	9%	8	8%	8	—
EnFact	128	8%	8	8%	8	—
EngnR s	183	5%	5	5%	5	—
EngnSu	435	7%	7%	7%	7%	—
EngMey	22	5	4%	4%	4%	—
EngClay	1.48e	39	24	23%	24	24
Engnph	.18b	14	247	10%	9%	10
Enneco	19	689	7%	7	7%	—
EntiPb	.10	14	529	19	18%	18%
EntriCp	9	2530	4%	4%	4%	—
EntnrcP	.05e	1047	2%	1%	1%	—
Entnrc	1209	5%	4%	4%	4%	—
Envrd s	12	4119	25%	23%	24%	—
EnvPwr	73	2%	1%	2	2	—
EnvrTc	139	3%	3%	3%	3%	—
Envirfs	18	242	19	17%	18	—
EnzoBi	430	4%	4%	4%	4%	—

G&K Sv	19	892	5%	15%	13%	1%
GenDX		129		8	6	1%
GMI s	1	146	2%	1%	2%	1%
GTS		14	1%	1%		
GV Med		608	11%	10%	11%	1%
GWC	1.32	19	19%	18%		
Galec s		634	6%			
Galliso s		15	9%	7%	8	1%
Garni s		9	20%	5	4%	1%
Garnes		2516	5%	5%	5%	1%
Gandif s		20	68%	7%	3-16	3-16 + 1-16
Gander		15	13%	9%	9	9
Gantos		9	160%	11%	10%	10%
GardA		13	29%	15%	14%	15%
Gartner		24	201	11%	10%	11%
GhwBco 1.45t		9	14%	13%	14%	1%
GhwB s .42e		9	14%	15%	15%	1%
Gateway		420	3%	3%	3%	1%
GatewayPd		70	9%	9	9	1%
GhwvM		65	5-16	5-16	5-16	
Gemcft		115	1%	1%	1%	1%
GenPrb		369	5%	5%	5%	1%
GenCor		28	222	7%	6%	6%
GenBnd s .32		17	1335	30	27%	30 + 3
GBidPr		13	411	6%	5%	6
GenCer	.10	25	84	11%	10%	10%
GenCpt		25	42	10%	10	10
GenMag	.10	13	13	10	9%	9%
GenPara		8	621	3%	3%	3%
sPhys .15e		9	22	12	11	12 + 1%
GenetIn		4295	21%	20%	21	21 + 1%
Genex		1215	1%	15-16	1	
Genicm		10	684	10%	9%	9%
GenTex		23	345	4-16	3-16	3-16 + 3-16
Genzym		200	97%	10%	9%	10
Geodyn .15e		11	383	12%	11%	11%
GeodRs		435	25	1-16	1-16	1-16 + 5-32
Geonex		24	4	3%	4	4 + 1/2
GeoWsh		6	1%	1%	1%	1-16
JaBnd		1	4	4	4	4
Geraght		816	9%	8%	9%	9 + 1%
GerIMd .08		120	3%	2%	3	3 + 1%
GerMF		54	4	3%	3%	3%
GrmsV		7	498	9%	8%	9%
GrIBay s		25	27-32	11-16	11-16	1-32
GibsonG	.30	10	11457	17%	15%	17
GibexTr		12	45	10%	10	10 + 1/2
GilbIA s .90		14	190	20%	19%	20 + 1/2
gibIBI		15	327	5%	5%	5%
Giamis .04i		259	3%	3-16	3-16	3-16 + 1-16
Genex		197	3%	3-16	3-16	3-16 + 1-16
GidCorr		8	337	9%	8%	8%
GidEne	.28	19	76	10%	10	10 + 1%
GidPool	.04	29	160	6	5%	6
GidVul		27	4165	31%	29%	30% + 7%
GidTex		1078	3%	2%	3%	3%
GoodGx		7	86	4%	4%	4%
GoodmK		15	456	10%	10%	10%
Goody	.40	11	371	18%	17%	17%
Gorlaas	.28	14	4650	31%	29%	31% + 1
GouldP	.76	19	16549	21	20%	20%
Gradco		15	619	7%	6%	7%
GranC s	.30	10	106	10%	10%	10%
GrantSI	.25	27	2	7%	7%	7 + 1%
Grphl s .06		13	528	10%	10%	10%
gophPck		21	601	8%	8%	8%
GrphSc		7	22273	8%	7	8 + 1%
GAmCm .02e		31	6409	11%	11	11% + 1
GIAMCo		13	7	7%	7	7
GrIBay .05e		339	10	9%	9%	9%
GCTryB .60e		18	204	18	17%	17%
GTFalls	.44	102	32	6%	6%	6%

	198	214	214	214
nitRns	2046	414	314	314 + 14
nitRtn	8		54	
nitRtn	71 1122	224	22	224 + 14
nitRtn	12 223	214	22	224 + 14
nitRtn	16 464	1214	1214	12 + 14
nitRtn	16 464	514	514	12 + 14
nitRtn	404	1	34	1 + 14
nitRtn	29 2222	2114	2014	2014 + 14
nitRtn	7165	1214	1214	12
nitRtn	2629	0114	044	1114 + 114
nitRtn	364	014	014	044 - 14
nitRtn	22 269	2114	2114	214
nitRtn	13	314	3	314 + 1
nitRtn	17 691	5	47	5
nitRtn	86 2426	8	714	714
nitRtn	38 695	714	714	714 - 14
nitRtn	14 46	3	214	3
nitRtn	34 275	514	514	514
nitRtn	828	714	614	714 + 14
nitRtn	172	414	34	4 - 14
nitRtn	630	014	014	3 + 14
nitRtn	17 311	3	12	12
nitRtn	20 96	2	14	2
nitRtn	41 604	614	514	6 + 14
nitRtn	17 234	414	414	414
nitRtn	34 2222	1514	1514	1514 + 14
nitRtn	41 826	414	414	414
nitRtn	22 62027	3214	3014	31 + 14
nitRtn	3297	1214	1214	13 + 14
nitRtn	2978	1214	1214	13 + 14
nitRtn	564	314	214	3 + 1-16
nitRtn	19 199	514	5	514 + 12
nitRtn	9 542	714	7	7 - 1
nitRtn	17 104	94	94	94 - 14
nitRtn	14 566	414	314	4
nitRtn	52 78	314	214	314 + 34
nitRtn	18 1121	011	1014	1014
nitRtn	86	314	314	314 + 34
nitRtn	12 84	1214	1414	1514 + 114
nitRtn	14 302	1214	1114	1214 + 34
nitRtn	11 1104	714	614	714 + 13-16
nitRtn	19 18802	2614	2114	26 + 14
nitRtn	19 122	1214	1214	1214
nitRtn	21 22262	03 1-16	214	3 + 7-16
nitRtn	51 7300	1714	1614	1614 - 34
nitRtn	59 512	414	414	414
nitRtn	25 1328	1014	1714	1814 + 1
nitRtn	12 1394	1214	1114	1114 - 34
nitRtn	11 88	414	414	414
nitRtn	6 701	214	146	15-16 + 3-16
nitRtn	613	1114	1014	1114 - 34
nitRtn	47 357	37	36	36 - 14
nitRtn	24 60	5	444	444 - 14
nitRtn	17 78	29	28	29 - 14
nitRtn	17 8	29	28	29 + 14
nitRtn	15 1130	014	13	1214 + 14
nitRtn	716	474	414	414
nitRtn	4 59	14	15	1514 + 14
nitRtn	25 1974	1914	1914	1914
nitRtn	12 4599	1514	14	1414 - 14
nitRtn	16 1062	34	3	314 + 14
nitRtn	2613	814	714	714 - 34
nitRtn	186	214	2	2 5-16 - 3-16
nitRtn	150	2214	2114	2114
nitRtn	14 341	1114	1014	1014 + 14
nitRtn	28	214	214	214
nitRtn	6451	114	1-16	134 + 5-16
nitRtn	10 325	22	2014	2114 - 34
nitRtn	12 454	214	214	214 + 14
nitRtn	21 108	814	714	714 - 14
nitRtn	281	3914	3914	3914 - 14
nitRtn	18 170	1014	10	1014 + 14
nitRtn	1634	02814	2614	2814 + 14
nitRtn	20 940	974	974	974 + 14
nitRtn	1011	01714	1714	1714 + 14

	13	60%	14%	13%
ARC	8	472	646	6
IBS	20	10680	u13%	13%
ICI	22	5308	u10%	9%
ED Co	8	69	6	5%
El Hom	13	1045	3%	2%
ELX	13	12	7%	2%
WAR	13	7	18	17%
MI	8	2491	41%	40%
INC	5	240	9%	8%
NX	338	123	3%	3
PSI	13	330	12%	11%
SCar s	59	876	24	21%
TECH	23	3129	29%	29%
Dmd s	53	15	13	25
echTc	151	2%	3%	
echTc	68	2433	13%	12%
IB g	406	496	15%	15
EDGE	2.42	11	273	31
eamCm		14360	5%	5
eamP	61	1199	12%	11%
eamal	.48	6	678	11%
eamGp	.680	10	300	16%
elIBx	19	334	16	15
elone		106	7%	6%
elR1	6	1812	10%	9%
elVid	29	23225	10%	9%
akila	.55e	29	71%	7%
elIard		1692	8%	7%
elIrite		358	8	7
elIria	.01e	507	7%	7
eamn		7964	8%	7%
eamn		91	3%	2%
eamitw	.80	15	814	19%
eamFm	1.60	57	2097	41%
eamFn	.450	13	742	15%
eamus	.22	11	190	14%
eamux		2034	2%	2%
eamgo		73	3	2%
eamel		18	34	11%
eamit	.32	11	129	13%
eamit		43	u12	9%
eamitCt		16	818	4%
eamTw	.64	12	139	19%
eamel		10	323	17%
eamitFct	.32	18	67	7%
eamst	.07e		646	7%
eamSt		122	1%	1%
eamsm		229	10%	9%
eamShu	.44	13	189	19%
eamshi	.96	9	1475	2%
eamien		15	5%	4%
eamitL		13	6903	6%
eamFSL		1519	11%	10
eamscmp		20	5230	5
eamcol		8	3954	12%
eamaskb	.36	11	x773	19%
eamstor		5130	3%	1-16
eamBgs	.72	13	63	14%
eamOCON	.10	12	566	7%
eamodine	.44	11	788	17%
eamoduTc		8	404	2%
eamolBio		1962	13%	13
eamoleic		1119	3%	3%
eamolex		19	4820	40
eamAvl		16	1%	1%
eamonit		13	1607	6
eamoniTc		4	43	2%
eamonRE	.60	17	6	5%
eamonAnt		546	4%	4%
eamonSv	.20e	82	16%	15%
eamonP	1.20	11	1360	26%
eamoreHd		235	5	3%
eamoreP	.88	14	270	32
eamorFlo	.01	73	5%	5%

Bank president opposes bailout for banks

The president of the new Alliance Bank visited Ketchikan this week and said he and his group oppose a state bailout for Alaska banks.

Fred Burrows joined Alliance the first of February, a few days after United Bank of Alaska, Southeast joined United Bank Alaska and Alaska Mutual in a merger and reorganization financed by the New York-based Hallwood Group with \$65 million.

Burrows said in an interview Monday that the action needed to assist banks and private citizens is to avoid dumping all foreclosed property in Alaska on the market at once. He said the property should be put in the market over a period of years such as seven or 10, although he said he hasn't studied the issue enough to give a recommended time.

He said Alliance Bank has 2,000 pieces of foreclosed property in its possession. The total of all foreclosed property held by the Federal Deposit Insurance Corporation, other government agencies and banks represents at least \$1 billion in value. Because of the recession in Alaska, people find the appraised value of their homes less than the balance they owe on the mortgage. Many are jobless and unable to make payments or move. To dump more property on the real estate market now would depress the value of real estate more and worsen the situation, Burrows said.

The FDIC, which insures bank customers against losses, however, doesn't like to hold property which it acquires from failed banks. Burrows said if FDIC suddenly dumped

all of the property it holds, that instead of property values dropping the 20 percent they have in the Anchorage area, they would drop two to three times that amount.

Burrows said the economy in Southeast is good compared with Anchorage. This was echoed by Ketchikan Alliance branch manager Dick Axelson, who said that only one Ketchikan property is among the 2,000 which Alliance has taken back on foreclosure.

Burrows joined Alliance Bank as president after 21 years with First Interstate in Oregon and Washington where he rose to president of the Seattle branch. He also ran an advertising agency and recently worked for the Seattle Convention and Visitor Bureau in promoting the new Seattle convention center which opens in June.

Alliance Bank has 13 offices throughout Alaska and is negotiating for a second bank office in Juneau. Its current Juneau office is in Mendenhall Valley and Burrows hopes to see the bank move into the old Alaska Bank of the North offices in the Sealaska Building in downtown Juneau. Bank of the North is one of the four major Alaska banks which failed last year. Bank of the North's assets were purchased by National Bank of Alaska.

Burrows said banking problems aren't confined to Alaska. Banks in other states hit by the depression in the oil and farming are failing. And not all banks in Alaska are failing. He said First Bank of Ketchikan is a sound institution.

Women unionists decry inequity

BEIJING (AP) - The top women officials of labor federations in seven cities issued a statement Friday complaining that women on the job received unequal treatment and demanding a public debate on the issue.

"We call upon the media, economic and theoretical communities, leaders at all levels of the (Communist) party and government ... and all men and women workers to air their own views and actively join in a discussion," the seven women said in the statement, published on the front page of the newspaper Workers' Daily.

Their statement, drafted at a meeting in Beijing, was especially critical of what they said was a growing tendency to fire women once they have children.

Many enterprises also have done away with maternity leave and other "women's benefits" in order to cut costs now that companies are being held responsible for their own profits and losses.

"Some people believe that when a woman becomes pregnant and has a child it is a private matter and becomes a burden for the enterprise," the statement said. "But others believe women carry two heavy loads, of helping produce material goods for society and perpetuating the human race, and this contribution deserves social recognition and special protection."

Women were regarded as inferior in traditional China's rigid social hierarchy but are promised equal treatment in Communist China.



Panama City traffic jammed streets in reaction to their inability

Panamanians would accept

PANAMA CITY, Panama (AP) - Police replaced Gen. Manuel Antonio Noriega's heavily armed soldiers on the streets Friday for the first time since last month's attempted coup against the Panamanian strongman.

The U.S. Defense Department announced it will send 1,300 additional military personnel to Panama, bringing the total number of American troopers there to nearly 12,000.

Panamanians, who are predominantly Roman Catholics, took time out from political activity on Good Friday to prepare for the Easter weekend, but for many that meant only another day of hunger

Funds from National Park Service resurrect plans for Denali resort

The Associated Press

Planning efforts for a resort in Denali State Park have been resurrected with \$100,000 from the National Park Service, state officials say.

A combination of public opposition and the legislature's refusals to ante up

\$200,000 for further study and preparation of a concession contract halted the planning 18 months ago.

But with the \$100,000 from the park service, the state over the next 10 months will revise the Denali State Park master plan. The revisions will provide site selection cri-

teria for a visitor complex and assess the effects of increased public use and recommend park amenities such as trails, campgrounds and parking areas, officials say.

"One of the elements will be the concept of a resort complex and a National Park Service visitor center," said

Neil Johannsen, director of state parks.

The state Department of Natural Resources and federal government hope to increase tourism at the 324,240-acre state park and relieve overcrowding at Denali National Park about 100 miles to the north.

"Things are getting worse up there," Johannsen said of the national park. "We're hitting the point where arguably the top visitor attraction in the state has hit the saturation point."

The Department of Natural Resources also will try again for \$200,000 grant when the

legislature convenes in January. The money would allow the state to look more closely at the economics of a visitor complex in the state park.

The idea of a resort at Denali State Park has been kicked around for nearly 20 years.

ANWR: Congressional, state critics say land swap proposal could cost taxpayers billions

Continued from Page C-1

ets of valuable, privately owned land in the seven refuges without spending federal money.

But at least two of the Native groups have received offers from oil companies for higher rent and royalty payments than the Interior Department generally gets on its oil leases.

Under the plan, the Old Harbor Native corporation would receive rights to 55,000 acres in the Arctic refuge. The Interior Department says these oil rights are worth \$45.7 million, including the value of royalty payments if

recoverable oil is discovered on the land.

Texaco Inc., however, has offered Old Harbor a cash payment of \$45.7 million just for the rights to drill on the 55,000 acres. It also is offering to pay an annual rental of \$3 an acre; a 14 percent royalty on any oil and gas taken from the acreage, and a 1½ percent royalty on the value of any petroleum it recovers from other portions of the refuge.

On its oil and gas leases, the Interior Department gets rental payments of \$2 an acre a year. Its usual royalty rate is 12½ percent, a level that Horn has asked Congress to set on any federal leasing in

the arctic refuge.

The other offer was made to the Koniag Regional Corporation by a consortium headed by Chevron. It applies to 3,183 refuge acres that Interior values at \$77.4 million, including prospective royalties.

Jim Eason, director of the Alaska Division of Gas and Oil, says the Chevron group is offering Koniag a cash payment of \$55 million for the oil rights; annual rental of \$10 an acre on 2,560 acres and \$5 an acre on the balance; a 20 percent royalty with a chance to change this to 40 percent of net profits from drilling on the acreage; a ½ percent roy-

alty on the value of any petroleum taken within six miles of the acreage; and a ¼ percent royalty on any petroleum Chevron would take from any other part of the refuge.

Even if no oil were found in the refuge, these two offers combined would bring Koniag and Old Harbor payments totaling 84 percent of what Interior says their interests are worth.

In trying to convince Congress to open the refuge to oil exploration, Horn has said its reserves could rival the 9 bil-

lion-plus barrels of oil at Prudhoe Bay.

At a royalty rate of 12½ percent, the federal and Alaska treasuries would lose 4.125 cents for each barrel extracted from land traded to Natives.

"The value of the royalty interest alone, should significant discoveries occur, potentially may be measured in the billions of dollars," according to a study by the Alaska Division of Oil and Gas.

Mobil Oil, which is not allied with any of the Native corporations, has been lobby-

ing against the trades. In a memo circulated on Capitol Hill, it said that Interior "significantly undervalued" the refuge land and "significantly inflated" the value of the land it would receive from the Native corporations.

Tom Marshall, former director of the Division of Oil and Gas, said in a consultant study for the National Wildlife Federation, which opposes any drilling in the refuge, that he believes Interior's projections of the refuge's oil reserves are conservative.

Notice...

STATE OF ALASKA NOTICE OF PUBLIC HEARING NEW WASILLA AIRPORT Project No. 55908

The Alaska Department of Transportation and Public Facilities (ADOT&PF) in cooperation with the Federal Aviation Administration (FAA) and the City of Wasilla will hold a public hearing on the proposed relocation of the Wasilla Airport, on Tuesday, November 17, 1987. The hearing will be held at 7:00 p.m. in the City of Wasilla Council Chambers at 290 E. Heming Avenue in Wasilla.

A general aviation airport is proposed for construction south of Jacobsen Lake and the Alaska Railroad Corporation (ARRC) tracks approximately three miles west of the existing airport in Wasilla. The new facility would replace the existing Wasilla airport and would improve the level of air service and safety to the City of Wasilla and surrounding area.

The proposed airport would include a 3,700-foot runway, two aprons, connecting taxiways, and an access road. In addition,



Legislator proposes a plan to attack economic ills

By SEN. ARLISS STURGULEWSKI

Of all of the economic booms and busts Alaska has experienced, this bust is affecting more of us more severely than any other. Consequently, it's time for the legislature to address fiscal policy issues so that future booms and busts won't affect us so dramatically. During the coming session, we must create some long overdue financial tools.

Billions of dollars rolled into state coffers from the most recent oil boom and then rolled right out again. We spent money on experiments in agriculture, in renewable resource development, in housing, in industrial development, and on quality of life improvements.

There's no denying there were some resounding successes and some equally resounding failures. Our successes have been in areas in which government should be successful. We spent money on school programs and have a good school system statewide.

We improved the health of our citizens through water and sewer projects and through grants to health care providers.

Some successes were cooperative efforts with the private sector. Alaska Industrial Development Authority funded projects that were able to stand on their own merits. The partnerships formed by the Alaska Seafood Marketing Institute with the fishing industry and by the Division of Tourism with the visitor industry paid off in expanded markets for our fish and a steadily increasing stream of visitors to Alaska.

Experiments in which we attempted to directly accelerate pri-

vate development were less successful, however. The Alaska Renewable Resources Corporation only lasted a few years. Agriculture is badly limping and the effort to start a red meat industry was far from successful.

It has become increasingly clear that the private sector must be on its toes to find the competitive and profitable edge and that government's role is to assist through reasonable regulation, responsible resource management and the elimination of roadblocks.

More specifically:

- Now is the time to devise a spending limit that works. The current constitutional spending limit bears absolutely no relationship to the amount of our annual budgets. The constitutional spending limit must be rewritten to tie it to the prior year's budget, and also outline how to dispose of excess revenue when we have it.

- Excess revenue should be at least partially dedicated to a constitutionally mandated budget reserve fund. Rather than frantically casting about for dollars just to keep the state running when revenues plummet as they did in 1985, we will know there is a source of funds for basic costs of government.

- It is critical that we devise and adopt criteria for the funding of capital projects. Life, health, and safety projects should be first in line for funding. Education and transportation both are the responsibility of government and should be funded based on need. Projects that will lead to real economic development should receive priority. Included in the criteria for all of the above must be operations and maintenance costs and a maintenance plan.

- Although it may seem like closing the barn door after the horse has run away, we need to set standards of accountability for municipal grants, and for grants to non-profit corporations that deliver government services.

- School capital funding has turned into a monster. With the promise of 80 percent reimbursement by the state, municipalities sold \$300 million worth of bonds in one recent year. The debt service on those bonds has become a burden on the state and a source of anxiety for municipalities as they watch to see if the state will budget for the full entitlement. The state should fund for basic schools; extras should be paid for by communities.

- The Alaska Permanent Fund is an excellent counter-cyclical tool for us. It has meant the maintenance of our excellent credit rating in the face of a down economy. It also means that we have a source of income about which the legislature needs to make some decisions — and then go to the voters to confirm those decisions. I personally support using the income of the fund for continuation of the dividends, inflation-proofing, and partial funding for a constitutionally established budget reserve fund.

These are all decisions that can and must be made now. Without the proper tools in place, the next boom could find us allowing history to repeat itself. We can do better.

□ Sen. Arliss Sturgulewski is chairman of the Senate Community and Regional Affairs Committee and the Senate Special Committee on Local and Regional Economic Opportunity.



Economic chances not all bad — you just have to look for them

The problems and opportunities of real estate markets like ours have become popular topics of discussion on the national real estate scene. Such markets are most often categorized as severely distressed. Others in similar condition are Houston, Dallas, Tulsa and Oklahoma City. We are not unique. This type of market will be with us for a while. We must learn how to cope with it, but even more important, how to take advantage of it and prosper.

The current debate about what the state should do, if anything, to alleviate adjustments in both the residential and commercial sectors illustrates the magnitude of the problem in our economy.

Unfortunately, only a few are taking advantage of the opportunities for solid investment. Many people think that depressed prices and distressed owners are signs that they should stay out of real estate. They reason that the market is going to get a lot worse before it gets better.



chris stephens

This kind of thinking is wrong. It assumes that in a distressed market, all properties are distressed. Nothing could be further from the truth. They assume the current situation accurately portrays the future. That kind of thinking during the recent boom is what got us into this mess in the first place. And it implies that the time to step in is after the market has improved when prices have gone

up, not now when they are low.

The entire market is not depressed. Some excellent properties are doing very well in this market. There are, however, distressed owners with excellent properties who must sell. This puts good properties on the market at bargain prices. Because investors are few, opportunities is out there to make sound investments in excellent properties.

We need to remember that every situation and opportunity is unique. As our past can teach us, the future of Alaska will be shaped by events totally different than our current situation. Change is inevitable. Alaska still has tremendous natural resource wealth and a very small population, which will continue to create healthy market opportunities and wealth-generating investments.

Finally, we must rely on our own perceptions and be willing to invest when others are fearful. We all want to avoid risk. But most avoid risk by waiting until the market is proven safe, because so many others are

investing and making money at it.

What is happening instead is that people are selling because the price is high. They are the people who bought when the market was down, and no one else would buy. Though everyone knows you buy low and sell high, most people buy high and sell low. They are afraid to buy when the price is low because no one else is buying. So they wait, and sure enough, prices do go up.

Distressed real estate markets offer the opportunity of a lifetime, much better than during the boom. Quality properties can be purchased at a price far below replacement value, often with easy financing. When the market recovers, those who invest now will be selling to those who wait until the market is proven safe and prices are higher.

☐ Chris Stephens, CCIM, is a local associate broker specializing in investment and commercial real estate.

ANCH DAILY NEWS 2/21/88

AAA TrustPort	24	5.72	— .01	AAA TrustPort	24	5.72	— .01	AAA TrustPort	24	5.72	— .01
AAA PrimePort	25	5.25	+ .16	AAA PrimePort	25	5.25	+ .16	AAA PrimePort	25	5.25	+ .16
AAV Fd	26	4.11	.....	AAV Fd	26	4.11	.....	AAV Fd	26	4.11	.....
ActiveAssetGovt	27	6.20	— .00	ActiveAssetGovt	27	6.20	— .00	ActiveAssetGovt	27	6.20	— .00
ActiveAssetMoney	28	6.42	.....	ActiveAssetMoney	28	6.42	.....	ActiveAssetMoney	28	6.42	.....
AlcedonCash	29	6.42	.....	AlcedonCash	29	6.42	.....	AlcedonCash	29	6.42	.....
AlcedonGovt	30	6.14	+ .01	AlcedonGovt	30	6.14	+ .01	AlcedonGovt	30	6.14	+ .01
AllianceCapRes	31	6.25	.....	AllianceCapRes	31	6.25	.....	AllianceCapRes	31	6.25	.....
AllianceGovtRes	32	6.01	+ .01	AllianceGovtRes	32	6.01	+ .01	AllianceGovtRes	32	6.01	+ .01
AmerCapResv a	33	6.34	— .01	AmerCapResv a	33	6.34	— .01	AmerCapResv a	33	6.34	— .01
AmNat	34	6.24	— .01	AmNat	34	6.24	— .01	AmNat	34	6.24	— .01
AutCah	35	6.48	— .01	AutCah	35	6.48	— .01	AutCah	35	6.48	— .01
AutGovt	36	6.12	.....	AutGovt	36	6.12	.....	AutGovt	36	6.12	.....
AxeHoughtonMM	37	5.93	.....	AxeHoughtonMM	37	5.93	.....	AxeHoughtonMM	37	5.93	.....
BabsonMoneyMkt	38	5.99	— .01	BabsonMoneyMkt	38	5.99	— .01	BabsonMoneyMkt	38	5.99	— .01
GrantMM	39	5.95	— .01	GrantMM	39	5.95	— .01	GrantMM	39	5.95	— .01
BirrWilson	40	5.44	.....	BirrWilson	40	5.44	.....	BirrWilson	40	5.44	.....
BostonCoCash	41	6.24	— .00	BostonCoCash	41	6.24	— .00	BostonCoCash	41	6.24	— .00
BostonCoGovt	42	5.52	+ .01	BostonCoGovt	42	5.52	+ .01	BostonCoGovt	42	5.52	+ .01
BullBearDuk	43	6.48	+ .01	BullBearDuk	43	6.48	+ .01	BullBearDuk	43	6.48	+ .01
CAM Fund	44	unavail	.....	CAM Fund	44	unavail	.....	CAM Fund	44	unavail	.....
CBA MoneyFd	45	6.17	— .23	CBA MoneyFd	45	6.17	— .23	CBA MoneyFd	45	6.17	— .23
CIMCO	46	5.91	— .01	CIMCO	46	5.91	— .01	CIMCO	46	5.91	— .01
CA TPMP	47	6.18	— .02	CA TPMP	47	6.18	— .02	CA TPMP	47	6.18	— .02
CalvertSocial af	48	6.09	— .01	CalvertSocial af	48	6.09	— .01	CalvertSocial af	48	6.09	— .01
CapitalCashMgt	49	6.03	.....	CapitalCashMgt	49	6.03	.....	CapitalCashMgt	49	6.03	.....
CapitalPreservFd	50	5.55	— .19	CapitalPreservFd	50	5.55	— .19	CapitalPreservFd	50	5.55	— .19
CapitPreservII	51	5.44	+ .09	CapitPreservII	51	5.44	+ .09	CapitPreservII	51	5.44	+ .09
CapT MM	52	6.04	.....	CapT MM	52	6.04	.....	CapT MM	52	6.04	.....
CardinalGovtSec	53	6.07	+ .21	CardinalGovtSec	53	6.07	+ .21	CardinalGovtSec	53	6.07	+ .21
CarltonCsh	54	6.11	— .08	CarltonCsh	54	6.11	— .08	CarltonCsh	54	6.11	— .08
CarnegieGovtSecur	55	5.93	.....	CarnegieGovtSecur	55	5.93	.....	CarnegieGovtSecur	55	5.93	.....
CashAssets	56	6.52	— .04	CashAssets	56	6.52	— .04	CashAssets	56	6.52	— .04
CashEquity	57	6.32	— .01	CashEquity	57	6.32	— .01	CashEquity	57	6.32	— .01
CashEquityMgt	58	6.16	+ .01	CashEquityMgt	58	6.16	+ .01	CashEquityMgt	58	6.16	+ .01
CashMgmtTrAm a	59	6.22	+ .01	CashMgmtTrAm a	59	6.22	+ .01	CashMgmtTrAm a	59	6.22	+ .01
CashResvMgmt a	60	unavail	.....	CashResvMgmt a	60	unavail	.....	CashResvMgmt a	60	unavail	.....
CentennialGovtTr	61	5.71	— .15	CentennialGovtTr	61	5.71	— .15	CentennialGovtTr	61	5.71	— .15
CentennialMMTr	62	6.01	— .02	CentennialMMTr	62	6.01	— .02	CentennialMMTr	62	6.01	— .02
ChurchillCashRsv	63	6.28	— .02	ChurchillCashRsv	63	6.28	— .02	ChurchillCashRsv	63	6.28	— .02
CignaCsh	64	6.48	— .01	CignaCsh	64	6.48	— .01	CignaCsh	64	6.48	— .01
CignaMMkt b	65	6.43	— .02	CignaMMkt b	65	6.43	— .02	CignaMMkt b	65	6.43	— .02
ColonialGovtMMkt	66	5.69	— .04	ColonialGovtMMkt	66	5.69	— .04	ColonialGovtMMkt	66	5.69	— .04
ColumbDyIncma	67	6.01	.....	ColumbDyIncma	67	6.01	.....	ColumbDyIncma	67	6.01	.....
CompositeCashMg a	68	5.81	— .01	CompositeCashMg a	68	5.81	— .01	CompositeCashMg a	68	5.81	— .01
CoreFdcash	69	6.20	+ .07	CoreFdcash	69	6.20	+ .07	CoreFdcash	69	6.20	+ .07
CortlandGeneral	70	6.01	.....	CortlandGeneral	70	6.01	.....	CortlandGeneral	70	6.01	.....
CortlandUSGovt	71	5.80	.....	CortlandUSGovt	71	5.80	.....	CortlandUSGovt	71	5.80	.....
CouCahRF	72	6.46	.....	CouCahRF	72	6.46	.....	CouCahRF	72	6.46	.....
CountryCapital	73	5.51	+ .01	CountryCapital	73	5.51	+ .01	CountryCapital	73	5.51	+ .01
CurrentInterest	74	5.67	.....	CurrentInterest	74	5.67	.....	CurrentInterest	74	5.67	.....
CurrentIntUSGovt	75	5.32	+ .01	CurrentIntUSGovt	75	5.32	+ .01	CurrentIntUSGovt	75	5.32	+ .01
DBLAM Portfolio	76	6.50	.....	DBLAM Portfolio	76	6.50	.....	DBLAM Portfolio	76	6.50	.....
DryUSGovtMM	77	6.36	— .06	DryUSGovtMM	77	6.36	— .06	DryUSGovtMM	77	6.36	— .06
DryUSGovtMM	78	6.31	.....	DryUSGovtMM	78	6.31	.....	DryUSGovtMM	78	6.31	.....
EastonVanceCashMg	79	6.30	— .01	EastonVanceCashMg	79	6.30	— .01	EastonVanceCashMg	79	6.30	— .01
EmblemPrime	80	6.34	— .01	EmblemPrime	80	6.34	— .01	EmblemPrime	80	6.34	— .01
EmblemUS Gov	81	5.75	— .00	EmblemUS Gov	81	5.75	— .00	EmblemUS Gov	81	5.75	— .00
EvergreenMMTr	82	6.79	.....	EvergreenMMTr	82	6.79	.....	EvergreenMMTr	82	6.79	.....
FBLMoneyMkt	83	5.95	+ .01	FBLMoneyMkt	83	5.95	+ .01	FBLMoneyMkt	83	5.95	+ .01
FBS Cash	84	6.53	.....	FBS Cash	84	6.53	.....	FBS Cash	84	6.53	.....
FBSUS Govt	85	6.25	.....	FBSUS Govt	85	6.25	.....	FBSUS Govt	85	6.25	.....
FBSUS Tr	86	6.01	— .08	FBSUS Tr	86	6.01	— .08	FBSUS Tr	86	6.01	— .08
FederatedMasterTr	87	6.41	— .01	FederatedMasterTr	87	6.41	— .01	FederatedMasterTr	87	6.41	— .01
FedShutUSGov	88	6.57	.....	FedShutUSGov	88	6.57	.....	FedShutUSGov	88	6.57	.....
FidelityCashRes	89	6.24	— .01	FidelityCashRes	89	6.24	— .01	FidelityCashRes	89	6.24	— .01
FidelityDyIncma b	90	6.12	.....	FidelityDyIncma b	90	6.12	.....	FidelityDyIncma b	90	6.12	.....
FidelityDyMkt	91	6.29	.....	FidelityDyMkt	91	6.29	.....	FidelityDyMkt	91	6.29	.....
FidDyUSTreas	92	5.94	+ .01	FidDyUSTreas	92	5.94	+ .01	FidDyUSTreas	92	5.94	+ .01
FidGovtPort	93	6.28	.....	FidGovtPort	93	6.28	.....	FidGovtPort	93	6.28	.....
FidDomesticPort	94	6.37	.....	FidDomesticPort	94	6.37	.....	FidDomesticPort	94	6.37	.....
FidMAUS Treas	95	6.11	+ .01	FidMAUS Treas	95	6.11	+ .01	FidMAUS Treas	95	6.11	+ .01
FidUSGovt	96	6.19	.....	FidUSGovt	96	6.19	.....	FidUSGovt	96	6.19	.....
FinancialDyIncsh	97	6.02	— .03	FinancialDyIncsh	97	6.02	— .03	FinancialDyIncsh	97	6.02	— .03
FincResv	98	6.40	— .01	FincResv	98	6.40	— .01	FincResv	98	6.40	— .01
FstAmerMoneyFd	99	6.36	.....	FstAmerMoneyFd	99	6.36	.....	FstAmerMoneyFd	99	6.36	.....
FstInvestCahMgt	100	5.77	— .01	FstInvestCahMgt	100	5.77	— .01	FstInvestCahMgt	100	5.77	— .01
FstLakshreMM	101	6.18	.....	FstLakshreMM	101	6.18	.....	FstLakshreMM	101	6.18	.....
FstLakshreGovt	102	5.66	+ .01	FstLakshreGovt	102	5.66	+ .01	FstLakshreGovt	102	5.66	+ .01
FstTrustGeneral	103	unavail	.....	FstTrustGeneral	103	unavail	.....	FstTrustGeneral	103	unavail	.....
FstTrustGovt	104	unavail	.....	FstTrustGovt	104	unavail	.....	FstTrustGovt	104	unavail	.....
FstVarGovtIncma	105	6.23	.....	FstVarGovtIncma	105	6.23	.....	FstVarGovtIncma	105	6.23	.....
FlexFund	106	6.51	.....	FlexFund	106	6.51	.....	FlexFund	106	6.51	.....
FWash	107	6.36	.....	FWash	107	6.36	.....	FWash	107	6.36	.....
FoundersMMkt	108	5.97	.....	FoundersMMkt	108	5.97	.....	FoundersMMkt	108	5.97	.....
FranklinMoneyFd a	109	6.12	— .02	FranklinMoneyFd a	109	6.12	— .02	FranklinMoneyFd a	109	6.12	— .02
FranklinFedMon b	110	5.45	+ .02	FranklinFedMon b	110	5.45	+ .02	FranklinFedMon b	110	5.45	+ .02
FranklITMny	111	6.88	— .01	FranklITMny	111	6.88	— .01	FranklITMny	111	6.88	— .01
FundGovtInvst	112	5.76	+ .01	FundGovtInvst	112	5.76	+ .01	FundGovtInvst	112	5.76	+ .01
FundSourcMoney	113	6.19	— .01	FundSourcMoney	113	6.19	— .01	FundSourcMoney	113	6.19	— .01
FSWash MT	114	6.32	— .01	FSWash MT	114	6.32	— .01	FSWash MT	114	6.32	— .01
GalaxyGov	115	6.30	.....	GalaxyGov	115	6.30	.....	GalaxyGov	115	6.30	.....
GalaxyMM	116	6.41	+ .01	GalaxyMM	116	6.41	+ .01	GalaxyMM	116	6.41	+ .01
GenGovtSecur	117	5.93	+ .02	GenGovtSecur	117	5.93	+ .02	GenGovtSecur	117	5.93	+ .02
GenMMkt	118	6.25	— .03	GenMMkt	118	6.25	— .03	GenMMkt	118	6.25	— .03
GovtInvestorsTr a	119	5.92	— .01	GovtInvestorsTr a	119	5.92	— .01	GovtInvestorsTr a	119	5.92	— .01
GovtSecurityCash	120	5.92	+ .02	GovtSecurityCash	120	5.92	+ .02	GovtSecurityCash	120	5.92	+ .02
GradisonCashRes	121	6.04	— .01	GradisonCashRes	121	6.04	— .01	GradisonCashRes	121	6.04	— .01
GradisonUSGovt	122	5.55	+ .22	GradisonUSGovt	122	5.55	+ .22	GradisonUSGovt	122	5.55	+ .22
GuardianCahFd	123	6.27	— .03	GuardianCahFd	123	6.27	— .03	GuardianCahFd	123	6.27	— .03
GuardianCahMgt	124	5.83	— .01	GuardianCahMgt	124	5.83	— .01	GuardianCahMgt	124	5.83	— .01
HarborMM	125	5.59	+ .22	HarborMM	125	5.59	+ .22	HarborMM	125	5.59	+ .22
HeritageCash	126	6.15	.....	HeritageCash	126	6.15	.....	HeritageCash	126	6.15	.....
HiMarkDiv	127	6.35	.....	HiMarkDiv	127	6.35	.....	HiMarkDiv	127	6.35	.....
IMM L IntLash	128	5.20	+ .06	IMM L IntLash	128	5.20	+ .06	IMM L IntLash	128	5.20	+ .06
IMM TEL	129	4.25	— .01	IMM TEL	129	4.25	— .01	IMM TEL	129	4.25	— .01
IMM Cash New f	130	unavail	.....	IMM Cash New f	130	unavail	.....	IMM Cash New f	130	unavail	.....
InstLashGovt	131	6.30	.....	InstLashGovt	131	6.30	.....	InstLashGovt	131	6.30	.....
InstLashPr of	132	6.34	— .01	InstLashPr of	132	6.34	— .01	InstLashPr of	132	6.34	— .01
InstLashTr of	133	6.26	+ .01	InstLashTr of	133	6.26	+ .01	InstLashTr of	133	6.26	+ .01
InstitutionalMM Pr	134	6.37	.....	InstitutionalMM Pr	134	6.37	.....	InstitutionalMM Pr	134	6.37	.....
IntegMMkt	135	5.89	+ .01	IntegMMkt	135	5.89	+ .01	IntegMMkt	135	5.89	+ .01
IntegMMkt	136	5.69	— .01	IntegMMkt	136	5.69	— .01	IntegMMkt	136	5.69	— .01
IntegMMkt	137	5.96	.....	IntegMMkt	137	5.96	.....	IntegMMkt	137	5.96	.....
IntegMMkt	138	6.01	— .08	IntegMMkt	138	6.01	— .08	IntegMMkt	138	6.01	— .08
IntegMMkt	139	6.47	— .01	IntegMMkt	139	6.47	— .01	IntegMMkt	139	6.47	— .01
IntegMMkt	140	6.57	— .01	IntegMMkt	140	6.57	— .01	IntegMMkt	140	6.57	— .01
IntegMMkt	141	6.24	— .01	IntegMMkt	141	6.24	— .01	IntegMMkt	141	6.24	— .01
IntegMMkt	142	6.29	.....	IntegMMkt	142	6.29					

A proposed solution to the real estate recession

HAYDEN GREEN

Alaska has been besieged by a plague — it called a real-estate recession and it is going infect even more people before it's over. Unless the state intervenes and stops the vicious spiral that the market is in, prices will continue to deteriorate.

This is not a problem that can be passed off only affecting investors who "paid their money and took their chances." It is a social problem that affects thousands of Alaskans.

The hundreds of millions lost in the recession does not include the decline in appraised values. Declining market values are for many people only paper losses; that is, inflation has taken them away. But the real costs being borne in Alaska today are mostly hidden costs, ones that are seldom mentioned.

For example, it has been estimated that 60 percent of the homes in Alaska have a negative equity. What that means is that a portion of the debt service being paid on these homes goes to pay for value that no longer exists. Every month millions of dollars flow out of the state to pay for this negative equity.

A second social cost that is accumulating is in the form of deferred maintenance. Thousands of condos, single family homes, apartment and commercial buildings in both the



private and public sector are not being properly maintained.

A recent study released by economists at UAA is giving many people unwarranted optimism. The economists have stated, and rightly so, that the economy will bottom out in mid-1988. This projection is based on an estimate of the number of jobs lost in the work force.

This does not, however, mean that the purchasing power of the typical family in Alaska will increase or that real estate markets will turn around.

The "HOAP" program introduced by AHFC is not going to resolve this problem either. It will, in fact, make the problem worse for many individuals and prolong the agony for AHFC.

Lenders don't want all of this property so they have devised a way to keep the property in the hands of the borrowers by increasing their loan obligation. A person who already has a negative equity and cannot make his

payments is being encouraged to borrow more money. Then he will end up with a larger negative equity and an even greater incentive to default in the future. Some solution!

Only two solutions will cure the real estate problem; that is, increasing the population or reducing the supply of housing or some combination of both. Increasing the population while reducing the supply is the answer.

The least expensive means of removing some property from the market would be to create a "distressed real estate holding company." This would be a quasi-governmental/private corporation similar to AHFC.

It would need to be funded by seed money to form the entity and to guarantee interest payments on bonds for the first five years. Its primary source of money would be through the sale of 15-year bonds on the world market. Banks and secondary lenders, working in concert with mortgage insurers, could sell distressed real estate holdings to this company in exchange for stock in the corporation.

Of course the holding company would expect to purchase the property at favorable rates, including a reduction for mortgage insurance settlements. This would help resolve some of the asset to liability ratio difficulties facing banks by converting debt for stock (an asset) and it would help get some Alaskans out of housing they cannot afford

without bankruptcy being their only remedy.

Using the money raised through bonding, the holding company would manage this inventory of property while, at the same time, taking it off the market. This would reduce the supply and help restore some of the lost value in all our homes.

As prices recover, the property would be returned to the market place over a 5- to 10-year holding period, being sold at future market prices and the holding company using this profit to repay the interest and principle on the bonds and to pay back the stock issued to the banks. The holding company would create jobs for property managers, maintenance people, real estate agents, and contractors hired to bring deficient property up to code.

This plan will not remove some of the real marginal property from the market. The holding cost of some properties is greater than any economic benefit that will ever be derived from them; therefore, the holding company should not be obligated to purchase just any property. The worst case examples should be removed from the market through demolition.

□ G. Hayden Green is a professor of real estate at University of Alaska Anchorage.

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For Self-

State expert: Economy

By LARRY PERSILY
Associated Press Writer

FLK 5 1/20/88
JUNEAU—Alaskans must expect a different economy in the future, without oil money as the answer and with lower wages as the reality, says Commerce and Economic Development Commissioner Tony Smith.

"The ultimate solution to the problem is industrial development," Smith told a dozen senators and representatives Friday. Industry creates jobs, he said.

Oil money is not the answer to

Alaska's sour economy, he said in testimony before the first meeting of the joint legislative committee on economic recovery.

Smith reported that hard rock mining in Alaska is up 30 percent this year. Tourism, timber and military spending also are on the rise.

"Ultimately, we need a number of small initiatives to allow us to manage our way through the situation," Smith said.

"The oil industry tells me that they squeezed 40 percent out of

their cost system," he told legislators. As the oil industry reduces its cost of doing business in Alaska, he said, it "squeezes the cream" out of the state's economy.

Jobs that paid \$4,000 a month for cooks on the North Slope will be replaced with ones that pay \$1,200 a month on the ski slopes, he said.

Smith said he met this week with Juneau's mayor and talked about new mining jobs in the area that will pay \$10 to \$15 an hour.

"We're looking at a different economy," he said. "We spent our way

will never be same

into the problem. We can't spend our way out of the problem."

In giving a lesson of realism, he said Alaskans can no longer afford to "perpetuate the bubble" of a wealthy economy.

Senate co-chairman of the committee, Lloyd Jones, opened the session with a statement that caught no one by surprise: "We're at a time when the state certainly needs some economic recovery."

The Ketchikan Republican said the state's wealth is in its natural resources. "They're laying out

there on the ground, in the ground and in the ocean."

House chairman of the committee, Max Gruenberg, followed with a report on everything bad about the economy.

The Anchorage Democrat said bankruptcies and home loan defaults are at their highest levels and thousands of jobs have been lost. He said the committee wants to hear from people who know where the economy has been, where it is going and what can be done to help it get better.

ECONOMIC
Studies,
Reports

FDIC

Federal Deposit Insurance Corporation

Memorandum to: Laurence D. Schannault
Deputy Regional Director (DOL)
San Francisco Regional Office

From: James K. Cook *James K. Cook*
Bank Liquidation Specialist

Date: March 4, 1988

Subject: 2766 - First Interstate Bank of Alaska (FIB)
Anchorage, AK - In Liquidation

5915 - Alaska National Bank of the North (ANBN)
Anchorage, AK - In Receivership
Types of Loans/Businesses and Numbers of Employees

As you requested, the following is a breakdown of the assets of First Interstate Bank of Alaska and Alaska National Bank of the North. The assets are categorized by type of loans, number of employees employed by those businesses that are obligated to the FDIC and the number of loans and book values by type of business. ~~The source of this~~ information is the call report data of each bank and the analysis of each portfolio by each Account Officer, as of March 1, 1988.

<u>Commercial Loans</u>		<u>ANBN</u>		<u>FIB</u>	
<u>Secured by:</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>	
Commercial RE	175	21.0mm	178	35.4mm	
A.R. & Contract Rights	97	10.5mm	38	8.3mm	
Inventory	45	2.0mm	26	6.9mm	
Equipment	184	13.0mm	176	17.0mm	
Stocks	4	3.0mm	0	.2mm	
Miscellaneous	3	1.2mm	65	4.3mm	
Unsecured	94	3.5mm	61	3.4mm	
Totals	602	74.2mm 59.2mm	549	76.3mm	

Laurence D. Schannault
 March 4, 1988
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<u>Real Estate Mortgage Loans</u>		<u>ANDN</u>		<u>FID</u>	
<u>A Real Estate Construction Type</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>	
Land Acquisition (Comm)	3	2.7mm	4	838,257	
Land Acquisition (Res.)	4	341,000	--	--	
Land Development (Res.)	7	3.2mm	11	4.3mm	
Commercial-Apartments	7	1.2mm	2	4.4mm	
Commercial-Retail Offices	1	500,000	--	--	
Commercial-Offices	1	2.0mm	1	3.7mm	
Commercial-Warehouse	3	2.4mm	3	3.8mm	
Single Family Residences	36	3.2mm	24	6.2mm	
Other	2	1.2mm	0	5.1mm	
Totals	64	18.4mm	54	28.3mm	

B. Covered Transaction-Type

Condom	7	400m	N/A	
Zero Lot Lines	7	600m		
SFR	7	700m		
Vacant	3	160m		
Commercial	1	375m		
Mobile Homes	1	68m		
Motel/Motel	1	680m		
Other	1	210m		
Totals	28	3.193m	0	* 0

* FTR did not segregate covered transactions.

Lawrence D. Schenault
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	<u>ANBN</u>		<u>FIB</u>	
<u>C. Amortized/Term-Type</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>
SFR	60	5.0mm	167	13.3mm
Conventional 2-4 Units	10	1.2mm	30	5.1mm
FHA	3	100,000	--	--
VA	2	160,000	--	--
Commercial	20	2.9mm	148	34.4mm
Vacant Lots	2	50,000	9	4.8mm
Other	13	500,000	12	5.6mm
Totals	110	84.8mm	266	63.2mm
GRAND TOTALS	804	84.8mm	969	167.8mm

The breakdown above includes the original inventory retained by the FIB and all putbacks in date, from both banks. It is probable that the National Bank of Alaska will put back approximately 40 more loans, with a BV of about \$8.0MM, under the 75% putback provision for FIB. The putback process for ANBN is complete.

There is a total of about 120 installment loans, with an accumulative BV of approximately \$200,000.00, from both banks. These were not included in the schedules above. The schedules above also include charged off loans, owned real estate, bank properties and other fixed assets.

Attached to this memorandum is a listing of one properties for Security National Bank as well as ANBN and FIB.

Should you have any questions, please call.

JC:cn

cc: Thomas S. Ruth, Jr.
Reid Judd
Mike MacDermott
Jack Smith
Section Chiefs
File

**REAL ESTATE PROPERTIES OWNED
AS OF: March 3, 1988**

<u>TYPE</u>	<u>BANK NO: 2608</u> <u>BANK: SNB</u>	<u>BANK NO: 5915</u> <u>BANK: ANBN</u>	<u>BANK NO: 2766</u> <u>BANK: FIAK</u>	<u>TOTAL</u>
<u>SFR</u> (B.V.)	10 (1,165,132.35)	18 (1,315,087.06)	24 (1,649,920.07)	52 (4,130,139.48)
<u>COMMERCIAL OFFICE</u> (B.V.)	2 (427,000.00)	8 (830,351.51)	13 (1,827,890.50)	23 (3,085,242.01)
<u>COMMERCIAL OTHER</u> (B.V.)	1 (63,636.14)	3 (291,508.41)	13 (4,064,632.95)	17 (4,419,777.50)
<u>DUPLEX</u> (B.V.)	-0- (0.00)	1 (64,800.00)	1 (704,444.06)	2 (769,244.06)
<u>4-PLEX</u> (B.V.)	1 (234,351.50)	6 (723,632.65)	10 (1,181,821.94)	17 (2,139,806.09)
<u>6-PLEX</u> (B.V.)	2 (493,969.22)	-0- (0.00)	2 (9,165.75)	4 (503,134.97)
<u>APTS MULTI-FAMILY</u> (B.V.)	-0- (0.00)	-0- (0.00)	4 (3,476,099.19)	4 (3,476,099.19)
<u>CONDOS</u> (B.V.)	2 (145,816.99)	20 (843,272.62)	120 (3,781,043.59)	142 (4,770,133.20)
<u>1-4 SFR LOTS</u> (B.V.)	33 (1,359,016.32)	61 (1,502,188.33)	247 (3,178,157.89)	341 (6,039,362.54)
<u>COMMERCIAL LOTS</u> (B.V.)	5 (455,344.00)	1 (103,153.57)	3 (2,300,881.65)	9 (2,859,379.22)
<u>TRAILORS MOBILE HOMES</u> (B.V.)	-0- (0.00)	1 (35,700.00)	1 (36,000.36)	2 (71,700.36)
<u>TOTAL:</u> (B.V.)	56 (4,344,266.52)	119 (5,709,694.15)	436 (22,210,057.95)	611 (32,264,018.62)

REAL ESTATE PROPERTIES OWNED
PAGE 2

SUBSIDIARY ACCOUNT

BANK NUMBER: 5915
BANK: ALASKA NATIONAL BANK

BANK NUMBER: 2766
BANK: FIRST INTERSTATE BANK

TOTAL

COMMERCIAL 2
(B.V.) (400,000.00)

10
(22,099,494.62)

12
(22,499,494.62)

The Subsidiary accounts consist of owned bank buildings.

MORTGAGE LOANS

ANEN

<u>Types of Business</u>	<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
			<u>1-24</u>	<u>25-100</u>	<u>100+</u>
Agriculture					
Real Estate Related	8	5,132M		48	
Tourism	2	829M	23		
Transportation					
Fishing	2	219M	8		
Mining					
Construction	7	1,298M	44		
Timber					
Oil Related	1	1,299M	4		
Communication					
Retail/Services					
Not Designated	182	21,673M	(Not Available)		
Totals	202	30,450M	79*	48*	

FIB

<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
		<u>1-24</u>	<u>25-100</u>	<u>100+</u>
76	18,903M			615
17	6,687M			462
5	1,410M		41	120
3	2,723M			112
3	3,739M	7		
2	1,317M		35	
260	16,037M	(Not Available)		
366	50,816M	7*	76*	1309*

* Represents total number of employees for each type of business.

COMMERCIAL LOANS

ANEN

<u>Types of Business</u>	<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
			<u>1-24</u>	<u>25-100</u>	<u>100+</u>
Agriculture	3	205M	15		
Real Estate Related	12	1,084M	21		
Tourism	9	185M	18		
Transportation	24	3,794M	205	242	
Fishing	—	—	—		
Mining	15	1,001M	18		
Construction	69	3,757M	282	90	
Timber	9	271M	60		
Oil Related	—	—	—		
Communication	—	—	—		
Retail/Services	144	17,886M	450	151	223
Not Designated	317	26,017M	(Not Available)		
Totals	602	54,200M	1,069*	483*	223*

FIB

<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
		<u>1-24</u>	<u>25-100</u>	<u>100+</u>
—	—	—	—	—
59	7,672M	244		
16	8,869M	39	185	
26	1,508M	79		
14	1,060M	56		125
1	811M	8		
61	3,577M	241	151	
1	28M	5		
9	3,641M	18	39	219
4	639M	20	45	
179	30,020M	543	516	491
233	46,690M	(Not Available)		
603	104,515M	1,253*	936*	835*

* Represents total number of employees for each type of business.

Alaska Housing Market Council

April 7, 1988

Senator Arliss Sturgulewski
P.O. Box V
Juneau, Ak. 99811

Dear Senator Sturgulewski:

I have enclosed a copy of "Residential Mortgages in Alaska, A Comparison of the Last Three Quarters of 1987", for your information.

If you have any comments or questions, please call me at 563-3325.

Sincerely,

ALASKA HOUSING MARKET COUNCIL



Glenda Straube
Executive Director

GJS/mr

Enclosure

RESIDENTIAL MORTGAGE LOANS IN ALASKA
A COMPARISON OF THE LAST THREE QUARTERS OF 1987

Prepared By:

**The Alaska Housing Market Council
624 W. International Airport Rd., Suite E
Anchorage, Alaska 99518
563-3325**

SUMMARY

Statewide trends are strongly influenced by changes in Alaska Housing Finance Corporation (AHFC) held loans. While the statewide trend may move in one direction, the non-AHFC state held loans and the non-state agency loans may move in the opposite direction.

Synopsis of Results for the Last Three Quarters of 1987:

- 1) Statewide, the number of outstanding loans decreased 5.5% over the last three quarters of 1987.
- 2) The number of loans in delinquency and default dropped 11% during the survey period.
- 3) Statewide delinquency rates dropped by .4% during both the 3rd and 4th quarters.
- 4) The number of real estate owned properties (those held in inventory) increased by 34% over the last three quarters of 1987. The rate of increase, however, fell by 2% from the 3rd to the 4th quarter.

SURVEY METHODOLOGY

This report was compiled through a survey conducted by the Alaska Housing Market Council (AHMC). The survey period extends from June 30 to December 31, 1987. After each survey was received, the agency was contacted to verify the information and answer any additional questions. Sales information (see Table 1, pg.6) was added to the 4th quarter survey; hence, not all agencies were able to provide 3rd quarter statistics. Some of the agencies included in this report rely on lenders to provide them with loan information; therefore, an estimate was used for some statistics. For example, FNMA, FHLMC, FHA and the VA do not keep track of how many of their loans are held by AHFC. This information had to be collected through AHFC. The figures reported here are agency figures, net AHFC loans.

Approximately 25% of the information contained in the June 30th report, came from a report by the Institute of Social and Economic Research (ISER). The information in the other two reports came solely from the survey.

An effort is being made to include private lending institutions in future surveys. The information has been difficult to obtain in the past because of the number of institutions and the fact that some do not compile statistics on a regular basis.