



(d) The right to harvest timber only as needed to clear fields, pastures, and roadways.

SENATE FINANCE COMMITTEE

March 9, 1977

9:03 a.m.

All members of the Committee were in attendance except Croft and Tillion. Also in attendance: Judy Crohdahl; Attorney General Avrum Gross and Bob Maynard, Assis' at Attorney General, Department of Law.

PRESENT

Chairman Sackett called the meeting to order. The following bill assignments were made:

SB 95	-	Butrovich
SB 209	-	Butrovich
SCR 15	-	Meland
CSSB 159	-	Orsini
SB 191	-	Butrovich
HB 152	-	Tillion
HB 154	-	Sackett
HB 189	-	Butrovich
HJR 10	-	Tillion
SJR 16	-	Hohman
SB 27	-	Sackett
SB 78	-	Orsini
SB 175	-	Sackett
SB 204	-	Hohman

BILL  
ASSIGNMENT

Chairman Sackett moved that House Bill 122 (An act making a supplemental appropriation to the Alaska Pipeline Commission and providing for an effective date) be brought up for discussion. There being no objection, it was so ordered.

HB 122

Mr. Gross stated that \$656,000 of this request is for a contractual arrangement with Terry Lenzher to have him investigate the Alyeska construction for the State to aid their case before the Interstate Commerce Commission regarding tarrifs. Mr. Gross stated there are two parts to this contract: One is the Department of Law contracting for the actual trial; and the other is the investigation of the case which is with the Pipeline Commission.

Mr. Gross stated the Department of Law and the Pipeline Commission have met and concur that the overall control of this should belong to the Department of Law.

Mr. Gross stated there are two other areas which this appropriation is concerned with. One is \$156,000 for the Pipeline Commission to establish methodology to see how they are going to set rates. And the other is \$21,000 to hire a CPA Auditor and Engineer.

Senator Orsini asked if the CPA Auditor and Engineer was one position or two. Mr. Gross stated it is two positions and the funding requested is for three months in FY 77. These positions have been requested in the FY 78 budget.

AGO 936022 +

Senator Orsini moved that Senate Bill 159 (An act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. Senator Orsini stated that the bill dealt with complicated issues relating to state lands and the leasing of those lands. He advised that he understood some people who are leasing state lands are experiencing a great deal of difficulty due to reappraisal, and some are not. He further advised that in dealing with this matter, the committee might solve some of the problems and hurt the state, or it may maintain the state function and hurt some leaseholders. He added that his approach to the bill was to try to be as fair as possible to all concerned. He stated that he had spoken with appraisers, private lessors, and others involved in this type of transaction, and received a variety of different opinions. He advised that his intention was to make leasing of state land competitive with leasing of private land; that the provisions of leasing state land are not as beneficial to the lessor as are private provisions.

Senator Orsini advised that the Senate Resources Committee had drafted and passed a Committee Substitute for the original bill, and using Resources' Committee Substitute, he had drafted one of his own. He added that neither his bill nor Resources attempted to solve all of the problems, but did resolve some of the problem areas.

Senator Orsini presented committee members with copies of his graph outlining the relationship between inflation (cost of living) and land. Explaining his graph (copy attached to these minutes), Senator Orsini advised that in the 1960's inflation figured at approximately 3%. During this same time frame, the value of land increased 10%. In the early to mid 70's, the situation is somewhat different due mostly to the pipeline which produced a rapid increase in the cost of living in Alaska of about 7%. At the same time, values of land in Alaska increased 15%. Senator Orsini advised that from the above figures, he attempted to come up with figures for use in dealing with the leasing of state land.

Chairman Sackett requested that Senator Orsini explain the differences between his committee substitute and the one prepared by Resources.

Senator Orsini advised that the Resource Substitute proposed a lease for a total of 55 years. The initial lease period would be 25 years, and thereafter reappraisal and changes in

rent occur every 10 years. The current provision is for these reappraisals to occur every 5 years. My Committee Substitute would provide for 3 initial 10 year periods, and thereafter 5 years. The above provisions are based upon the need for a ceiling for loan purposes from commercial banking institutions. He further added that his proposed Committee Substitute puts a ceiling on the three 10 year periods, and this ceiling is a key point in the ability of the lease to support financing.

Senator Butrovich advised that he felt the length of time would be important in determining whether or not a lease met the criteria established by a banking institution for loan purposes, and asked Senator Orsini if he had checked the terms of his proposed Substitute with the requirements of financial institutions. Senator Orsini advised that the banks were looking for stability. They need the ceiling so they can evaluate the risk involved, and the proposed Committee Substitute has a 30-year ceiling.

Senator Butrovich stated that the Resource Substitute appeared to offer a 25 year initial leasing period while Senator Orsini's changed that time period to 10 years. Senator Orsini replied that it should be viewed as a change from 25 years to 30 years. There is a difference in the amount we can charge at the end of each of the three 10-year periods, but there is a ceiling on the whole 30 years.

Senator Butrovich questioned Senator Orsini concerning how he had arrived at the 170% included in the ceiling. Senator Orsini advised that the percentage figure was derived from the percentage of inflation the state has experienced over the past 10 years. My thinking on that was that cost of living is not only an increase in costs, it is also an increase in income. The economic value from the property would increase as well as the cost of other things. If the state is not in a period of high inflation, the percentage would be the lower fair market value. As an example, Senator Orsini advised that if a leaseholder had a \$1,000 annual lease, and assuming that the percentage actually goes to 170%, the breakdown would be:

\$1,000 for the first ten years  
\$2,700 for the second ten years  
\$2,900 for the last ten years.

Senator Butrovich asked if Senator Orsini had conferred with people testifying before Resources regarding the content of his Committee Substitute. Senator Orsini advised that he

had only completed work on the proposed substitute last evening, adding that he wasn't sure it would get by the Governor, but further adding that there was no question in his mind but that the Governor would veto the Resource Committee Substitute because the time period contained therein is too long.

Senator Orsini advised that another area that should be discussed pertains to the two items that should be taken into consideration when calculating rent. The first item is valuation; and the second is rental rate. Senator Orsini stated that discussions with private lessors had convinced him that the current 8% rental rate charged by the state is too high. The opinion appears to be that 6% is a fair rate given the restrictions on state leases. He further advised that part of the problem is the fact that conditions vary, and what the Committee Substitute attempts to do is build a fair but flexible rental rate based on comparable private rental.

Chairman Sackett asked what the Resource Committee Substitute proposed in the way of rental rates, and Senator Orsini replied that Resources has a maximum of 10%. Senator Orsini stated that his Committee Substitute floats the rental rate; that 8% is the going private rate, but the state has additional conditions (such as lack of an option to purchase) that make it less attractive for an individual to lease state land at 8%.

Senator Orsini further advised that he did not address the question of whether or not the state should be in the leasing business. If we are going to be in the business, it should be conducted as fairly as possible and made attractive enough so people will lease. On the other hand, the state shouldn't give the land away because it does belong to the people.

At this time Chairman Sackett advised that the committee would hear testimony pertaining to the two Committee Substitutes from those present. Mr. George Hollett, Deputy Director of the Division of Land and Water Management addressed the committee advising that he had not before had an opportunity to review Senator Orsini's substitute. Mr. Hollett advised that the state has lease agreements under existing statutes that are not compatible with the going market. Private leases are effected on a case by case basis which the state is unable to do. The state has to set stipulations that apply to all, and added that the Resource hearings pretty well brought out current problems with state leasing.

GEORGE HOLLETT  
DIV. LAND &  
WATER MANAGEMENT

Mr. Hollett further advised that he was aware that if the state was to give 25 year rental terms, the banking facilities would look favorably upon this provision. He further stated that he would hope something would develop which would lend stability if the state is going to be in the leasing business. We find that in residential pieces of property, there has to be a stable period of time in order for institutions to lend. On commercial property the time doesn't have to be as long or there must be a ceiling so the banker can come up with some figures as to payback.

Senator Butrovich advised that he was concerned about what the state is doing to individuals who have entered into leases and improved the property. These people have existing leases and suddenly the state is escalating the rental price on property upon which they have substantial investments. Mr. Hollett advised that everyone agreed that a problem exists. There has to be something in the statutes that lets us get to this situation. The present day situation calls for the state to look at land and get the value.

Senator Orsini advised that his Committee Substitute addressed the question of how to take care of leases entered into over the past 5 years, and referred the committee's attention to Section 4. He advised that this section was very close to the provisions of the Resource Substitute in that it allows a person with an ongoing lease to enter into the new leasing system for the remainder of his lease. The Resource version would allow this person to enter into a total new lease. The ability to change over to the new system would expire on January 1, 1979. If the lessee should choose not to become bound under the new system, his lease would continue as before.

Mr. Joe Wilhour advised that he is currently a leaseholder in the Alaska Industrial Park Subdivision. He advised that he was unable to testify regarding Senator Orsini's proposed Committee Substitute due to the fact he had received a copy upon entering the committee room and was unable to listen to the previous testimony and read the proposed substitute at the same time. He advised that the Resource committee had come up with an acceptable bill which did not cover everything, but would at least keep the leaseholders in his area from losing their land. He stated that if a leaseholder is run off his land, he not only loses the

JOE WILHOUR  
ALASKA  
INDUSTRIAL  
PARK

lease, he loses his improvements and is still left with a mortgage to repay at the bank. He added that there was a definite need for a ceiling, but added that it was no good if the ceiling is too high.

Senator Orsini asked Mr. Wilhour what had happened to his land since the lease commenced. Has there been any rezoning, road improvements, etc. Mr. Wilhour replied that there had been no rezoning, and not much in the way of road improvements either. There had been a recent sewer and water project effected in the area though. Senator Orsini referred to page 2, line 17 of his proposed Substitute dealing with state reappraisals. He advised that under this section, improvements made to leased property by the individual would not be included within the reappraisal. The reappraisals would consider only state-implemented improvements.

Senator Hohman asked Mr. Wilhour how many people maintained leases within the above Industrial Park Subdivision. Mr. Wilhour replied that there are approximately 64 leases. Mr. Hollett advised that of the total 980 outstanding leases between the state and various individuals, not all of them would be affected as adversely as Mr. Wilhour whose lease is in an area where prices have been rising rapidly. Senator Hohman advised that it was his understanding that some leaseholders are being threatened to the point where they will have to walk away from the land, leaving their improvements and investments behind. Mr. Hollett advised that the 63 members of the Industrial Subdivision had hired Doug Baily to represent them in this matter. Mr. Wilhour advised that he believed more leaseholders than those within the Industrial Subdivision were involved in this problem, and cited the Matanuska Valley as another area where the raise in lease price has been just like an eviction notice. The leaseholders just cannot pay the price.

Senator Tillion referred to page 4, line 21 of Senator Orsini's Committee Substitute, dealing with long term financing. He stated that this section encouraged a person to go to a banker rather than trying to fund the lease himself. He further stated that he believed that a person who could fund the lease out of his own finances should have the same consideration as someone who has borrowed the money.

Senator Orsini again referred to the reappraisal and the fact that he didn't feel improvements made by the individual should increase the value--only state improvements should have this effect. Mr. Davis advised that he didn't think there would be any serious contention regarding this provision, but added that in effect the provision would only make it more difficult to conduct the appraisal. He stated that he didn't feel this type of assessment would be a practical approach to the situation, adding that it would put the appraiser in the position of having to consider school facilities, rezoning, water, sewer, and road systems relating to the property, and yet close his eyes to the buildings and other improvements located on the property when making his evaluation.

REAPPRAISAL  
PROBLEMS

Chairman Sackett advised committee members and those present that the committee would bring the bill up for further discussion at the bill session scheduled for 8:00 a.m., April 4, 1977.

Chairman Sackett moved that Senate Bill 228 (Supplemental appropriation to the Office of the Governor, Alaska Plan Committee) be brought on for discussion. Mr. Milo Griffin, Executive Director of the Alaska Plan appeared to testify. He advised committee members that last year the Plan had requested \$320,000 for yearly operation. The Governor's office cut that figure to \$100,000, and we ran out of funds as of the 15th of this month. The audit recommended that we be refunded, and the Governor's office said they would submit a supplemental to give us enough funds to operate at the existing level.

MOTION  
SB 228  
ALASKA PLAN

TESTIMONY  
MILO GRIFFIN

Senator Croft asked Mr. Griffin where the Plan currently is operation-wise. Mr. Griffin replied that they had cut their staff from 14 to 5, and they currently don't have enough funds for payroll this month. He added that Judy Greene from the Governor's office was to have initiated the supplemental but had apparently not followed through. The Plan needs \$50,000 to carry it until June.

Senator Hohman asked if the internal audit report resulted from a routine audit, and Mr. Griffin replied no, the Plan was asking for funds and the Governor's office was not sure whether we should be a state agency or remain in our current status. The audit determined that it would cost too much for us to become a state agency, so the Governor's Office has requested the supplemental.

The meeting adjourned at approximately 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 4, 1977

8:15 a.m.

All members of the Committee were present, with Senators Croft and Butrovich arriving late. Also in attendance: Milt Barker, Fiscal Analyst; Judy Cronlin, Administrative Assistant. Mr. Ken Davis and Joe Wilhour, Lease holders of State land; and the following persons from the Department of Health and Social Services: Marsha Hubbard; Dr. Jerry Schiader, Director, Division of Mental Health; and Bob Kemp, Acting Director, Division of Public Assistance.

PRESENT

Chairman Sackett called the meeting to order and made the following bill assignments:

SB 19 - Sackett  
SB 44 - Meland  
SB 117 - Sackett  
SB 152 - Meland  
SB 184 - Meland  
SB 200 - Butrovich  
SB 228 - Hohman  
SB 240 - Croft  
SB 275 - Hohman  
SB 276 - Hohman  
SB 279 - Tillion  
SB 280 - Tillion  
SB 281 - Tillion  
SB 284 - Butrovich  
CSHB 84 - Orsini  
HB 186 - Sackett  
HB 349 - Sackett  
SCR 38 - Butrovich

BILL  
ASSIGNMENTS

Senator Orsini moved that Senate Bill 159 (Act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini presented information to the committee concerning growth in value of vacant real estate. He also stated that he has received a three page letter from the Legislative Affairs Agency on his proposed Finance Committee Substitute for SB 159 concerning the legal ramifications. He stated he has not yet had the opportunity to go through this in its entirety.

Senator Orsini advised he has talked with Ted Smith concerning the House version of this bill (HB 383) and that it is the same as the recommended Resource Committee Substitute with one minor change in Section 2.

Senator Orsini stated that most lands that are leased are lands held in trust for municipalities or the University and that additional lands will be coming to the State from the village corporations under the land claims act.

Mr. Ken Davis presented testimony to the Committee concerning SB 159. He stated they are in favor of the Resources Committee Substitute for SB 159. He believes the Committee Substitute addresses the needs of both the lease law and the lease holders. He stated that paragraphs one and two on page one are particularly necessary to meet the needs of financial institutions as they have been quoted to him in the last twelve months. He stated that financial institutions requirements are normally for a ten year period exceeding the end of the mortgage. He stated that financial institution will not look at the normal 25% down credit approach. The applicant must have sufficient assets in order to build on State leased land.

RESOURCE  
COMMITTEE  
SUBSTITUTE  
SB 159

Senator Orsini asked if most private leases had an escalator clause and Mr. Davis said they did. Senator Tillion stated that most private leases have an escalator clause but it is designed to give the leasor the same buying power. It is not based on the land becoming more valuable.

Senator Orsini stated that the point is that lending institutions will not loan money on a lease that may increase in value over a period of years. Senator Croft asked if anyone knew of a private lease that was based on the value of land. Mr. Davis stated he knew of none. Senator Tillion stated this was the point he was trying to make.

Mr. Davis stated that page 2, line 23, and page 3, paragraph B of the Resource Committee Substitute, do give financial institutions the right to collect if there is a default. He stated that under present law that right does not exist.

Mr. Davis stated that under line 7 on page 4, the land will be coming back to the State at a faster time frame than you might normally expect.

Chairman Sackett asked for Mr. Davis's comments concerning Orsini's proposed Committee Substitute. Mr. Davis stated that with page 1, line 12 no one would be able to obtain a loan except by using his personal assets. He stated he believes paragraph two takes the incentive for developing a property away. He stated the first ten year appraisal could remove the initiative for anyone to take the initial step in developing a property. He stated he does think the five year terms from that point on are realistic.

FINANCE  
COMMITTEE  
SUBSTITUTE  
SB 159

Mr. Davis stated the State has chosen not to develop the property they are leasing. They have chosen to maintain the property to insure they get an income. He stated the income over a period of years can be less since they have chosen not to develop. Mr. Davis stated that Senator Orsini's proposed bill goes just a little further than HB 383 (Governor's bill by request).

Discussion on the escalation clause being based on improved value of land and on inflationary value. Mr. Wilhour stated that in addition to having the land improved, the state receives additional benefits from its development in income tax, gross tax, benefits of employment and taxes from them. Mr. Davis stated that on page 2, line 11 of the Resource Committee Substitute there is an additional inflationary edge, in that the State can ask and receive prepayment of the annual rental rate.

Senator Croft stated there are several portions of Orsini's proposed Finance Committee Substitute that are desirable. Senator Croft moved that a Finance Committee substitute be drafted to include page 2, subsection (e) of Orsini's proposed committee substitute and that the first two lines be changed to "Changes in property value due to governmental actions, off property improvements, . . ." and that "single family" be added before "residential development" on page three, line 26 of the Resolution Committee substitute. Discussion on the changes. There being no objection, it was so ordered.

SB 159  
MOTION

Senator Meland asked Mr. Davis if he agreed with the changes. Mr. Davis stated he could see no problem with the changes.

Chairman Sackett stated the Finance Committee Substitute for SB 159 would be drafted and presented to the Committee at the April 5, 1977 meeting.

Senator Meland moved that Senate Bill 122 (Supplemental appropriation to the Department of Health and Social Services) be brought up for discussion. There being no objection, it was so ordered. Senator Meland stated persons from the Department of Health and Social Services were here to answer questions on this supplemental appropriation. Ms. Hubbard stated the Malpractice portion is being changed from 144.6 to 138.2 and that the general fund portion is 105.8. She advised there were originally eight BRU's involved with malpractice and that there are now four. Discussion on malpractice.

SB 122

Ms. Hubbard advised that Medicaid has been reduced to zero. She stated that General Relief Medical has been increased from 125,000 to 243,200. Ms. Hubbard stated they have found that one-third of the expenditures for a given fiscal year are submitted and paid after that fiscal year. She stated their current authorized amount is \$2.5 million and their expenditures are \$2.7 million. Discussion on reason for delay in submission of bills. Mr. Bob Kemp stated that services are often rendered before a person is found eligible for General Relief Medical. Ms. Hubbard stated they have conducted a poll concerning date of services and date of payment. She will provide this information to Milt Barker.

SENATE FINANCE COMMITTEE

April 5, 1977

9:10 a.m.

All members of the Committee were present. Also in attendance: PRESENT  
Mr. Ken Davis and Mr. Joe Wilhour, Lease Holders of State  
Land; Ross Schaff, State Geologist, Division of Geological  
and Geophysical Surveys, Department of Natural Resources;  
Milt Barker, Fiscal Analyst, and Judy Crondahl, Administrative  
Assistant; and Elaine Mitchell of the Press.

Chairman Sackett called the meeting to order and stated the  
proposed Finance Committee Substitute for SB 159 (act relating  
to leasing of state land other than for extraction of natural  
resources) had been redrafted.

SB 159  
FINANCE  
COMMITTEE  
SUBSTITUTE

Senator Croft stated that several of the Committee's changes,  
as stated at the April 4 meeting, were not included in the  
Committee Substitute. The following changes in the pro-  
posed Finance Committee Substitute were made:

Page 4, line 1 - "single family" was added before  
"residential"

Page 4, line 5 - "single family" was added before  
"residential"

Page 4, lines 6 & 7 - a period was inserted after  
"occurs" and "and only if necessary for obtaining  
primary long-term financing." was deleted

There was discussion on whether or not the word "primary"  
on page 3, line 28 should be deleted. Mr. Davis stated  
that the Ad Hoc Committee had recommended that "primary"  
be deleted; however it was not a unanimous decision.  
Mr. Davis stated that those that wanted to leave the word  
in felt that it did give some latitude. He stated that if  
it was not left in, and there was no comparable market,  
then they would have no place to go.

Senator Tillion moved that lines 14 and 15 on page 4 be  
amended to read: (2) changes in property value due to  
private improvements made to the property or other privately  
owned or leased property since originally entering into the  
lease shall be excluded. He stated the purpose of this  
was to insure that the value of the land was not increased  
due to improvements made by the developer on the leased  
or privately owned land surrounding it.

Senator Orsini stated his understanding was that this was  
taken care of by adding "governmental" to Section 1 on line  
12, page 4. Senator Tillion stated this only exempted the  
particular property the individual has a lease on; it does  
not exempt him from increased land values because of improvements  
on property surrounding his lease.

Senator Croft stated he did not agree with the motion. He  
stated he was not convinced that all actions on other areas  
should be excluded.

AGO 936032

Question on Tillion's motion. Croft opposed. Motion carried.

Ms. Crondahl advised that at the April 4 meeting, the Committee has concurred that Section B of Orsini's proposed Committee Substitute was to be included. She stated that when the bill was redrafted, Mr. Jack Chenowith advised her that if Section B was to be included, then Section D must also be included. The Committee had no objections to the addition of Section D (line 26, page 2 of the current Finance Committee Substitute draft).

Senator Croft moved that Finance Committee Substitute for SB 159 be passed from the Committee with individual recommendations. There being no objection, it was so ordered.

SB 159  
MOTION

Chairman Sackett moved that Senate Bill 58 (relating to hydrological data) be brought up for discussion. There being no objection, it was so ordered. He introduced Mr. Ross Schaff who stated that the Constitution in Article 8, Section 13, provides that the State is the owner of the water in the State and allocates that water. He stated that in terms of allocation, NR is charged with appropriation of the water, DEC controls pollution, and Fish and Game controls the wildlife.

SB 58

Chairman Sackett asked if the private owner drilling his own well would be required to fill out the paperwork and Mr. Schaff said he would.

Senator Tillion asked if the non-professional well driller would have to hire a professional. Mr. Schaff stated that is not the intent, but the non-professional would have to file with them and log what had been drilled that day.

Chairman Sackett stated he would come back to the Committee with a Committee Substitute or amendment on SB 58.

Chairman Sackett advised that close-outs would begin on Monday, April 11 at 1:30 p.m. with the Education Committee of the Whole.

The meeting adjourned at 10:02 a.m.

ADJOURN

AGO 936033



# Alaska State Legislature

## House

### HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

Pouch V, State Capitol  
Juneau, Alaska 99811  
(907) 465-3715

13 April 1977

Guy R. Martin, Commissioner  
Department of Natural Resources  
Pouch M  
Juneau, Alaska 99811

ATTENTION: Pat Conheady

Dear Commissioner,

The House Resources Committee will be reviewing HB 445 Leasing of State Land. HB 445 has not been scheduled yet. We will notify you later in regards to the date, time and location.

Please supply us with a position paper or material you have on this bill by the time of the meeting. If you have information pertinent to this topic, the Committee would appreciate receiving that, too. If you know of other interested groups, please contact them.

If you have suggested amendments, please supply the staff with copies of that prior to the meeting.

If there is a fiscal implication and a note is necessary, please prepare it and submit it to the Committee -- preferably prior to the meeting.

Thank you for your cooperation.

Sincerely,

Al Osterback, Chairman  
House Resources Committee

AO:ts

# Real Estate Services Corporation

Appraisers, Counselors, Investment Analysts

KENNETH JAY GAIN, M.A.I., S.R.P.A., C.R.E.C.  
PRESIDENT

STATEWIDE SERVICE

FRANKLIN M. KING, JR., M.A.I.  
EXECUTIVE VICE-PRESIDENT

507 W. NORTHERN LIGHTS BLVD.  
ANCHORAGE, ALASKA 99503  
(907) 274-7636

GARRETT W. WALDNER, R.M., S.R.A.  
SECRETARY-TREASURER

April 8, 1977

Senator Joseph Orsini  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

RE: Committee Substitute for Senate Bill #159

Dear Senator Orsini:

I have reviewed a copy of the above-referenced bill which you sent to me. Basically, I consider it an improvement over the present leasing policy. It would appear that it will be easier to finance improvements on leases due to the fact that rents will be fixed with 10-year periods and that there will be less likelihood for small businessmen and homeowners leasing State land to be forced to abandon or sell their leases because of the ravages of inflation. Likewise, during periods in which cumulative inflation is less than 70% during any 10-year period, the State will be able to adjust the rents to Fair Market Values at the end of each lease period.

However, because of the longer periods between rental adjustments and the fact that maximum rental adjustments are provided for, in periods in which there is rapid inflation or rapid increases in land value, a Lessee could accumulate a sizeable leasehold interest which could be sold at a substantial profit. Since I am certain that it is your desire to make State land readily available to the citizens of the State of Alaska, but not allow them to speculate at the expense of other taxpayers, I would suggest that the following change be made to the bill: ["In the event that a leaseholder sells or assigns his lease to another party, a re-determination of the annual rental shall be made pursuant to Paragraph 4E and the purchaser or assignee shall be obligated to pay that rental until the next rental adjustment period." ] I feel this amendment will allow the Lessee to have the advantages and protection provided for in this bill without allowing him to receive a windfall profit at the expense of the State and its other taxpayers.

In sub-paragraph J, where the term MAI Appraiser is used, a more proper definition would be "an appraiser who is a member of the American Institute of Real Estate Appraisers holding the MAI designation". Since there are now a number of Alaskan appraisers who have the MAI designation, it might be advisable to require that, in addition to holding the MAI designation, the appraiser also be a resident of and doing business in the State of Alaska.

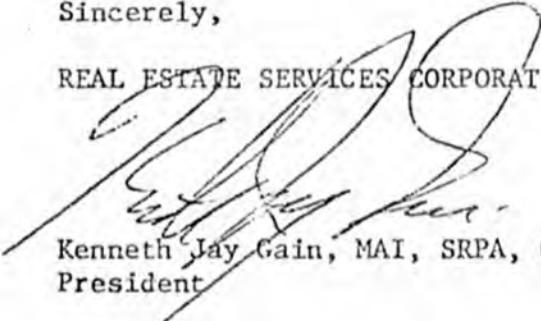
April 8, 1977  
Senator Joseph Orsini  
Page 2

It is my opinion that resident appraisers will be able to do a better appraisal at less cost. If this provision is not included in the bill, in some cases, Lessees may bring in non-resident appraisers (I am assuming that the State will uphold it's philosophy of local hire) who, because of their lack of familiarity with Alaskan conditions, will require a greater time to complete an accurate appraisal. Since the State will be paying half of the cost of such appraisals, I see no justification for the taxpayers of Alaska to pay the cost of travel and lodging for non-residents, plus the additional fee that will be required for a non-resident to familiarize himself with Alaskan conditions.

While I am sure that no bill can be written that will be 100% satisfactory to everyone, I feel that with the above-referenced changes, this bill will be a marked improvement over the present law. If I can provide you with any additional information, please feel free to call on me.

Sincerely,

REAL ESTATE SERVICES CORPORATION



Kenneth Jay Gain, MAI, SRPA, CRSS, CREC  
President

KJG/kaj

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.  
PHONE: 886-6440  
KUNEAU, ALASKA 99801

#

72333 POM ANCHORAGE ALASKA 15 04-17 1215P AST

JUN 17 11 3 01

PMS REP AL OSTERBACK

JUN

1962

I WISH TO THANK YOU FOR YOUR EFFORT AND SUPPORT OF SEIPD

KENNETH W TAYLOR 1555 E ST ANCHORAGE 99501

AGO 936040

+

# TELEGRAM

AGA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

1977 APR 17 PM 9 47

02016 TDA SOLDOTNA ALASKA 50 24-17 730P AST

PMS REP ALVIN OSTERBACK

JUN

WE HAVE BEEN ADVISED THAT SB159 WILL BE VOTED ON AGAIN  
MONDAY IN THE HOUSE RESOURCES COMMITTEE. AS CHAIRMAN OF  
THAT COMMITTEE WE HOPE YOU WILL EXERT YOUR INFLUENCE  
TO BRING THAT BILL TO THE HOUSE FLOOR UNAMENDED AND VOTE  
FOR ITS PASSAGE THERE ALSO.

MR AND MRS HARRY CUMMINGS

SOLDOTNA AK

AGO 936039