

552

SRES

SB 159

SB

159

COMMITTEE REPORT

SENATE

\*\*Finance

2/15/77

3/7/77

Date

Mr. President:

The Committee on RESOURCES has had SB 159 leasing of state land other than for the extraction of natural resources under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for SB 159 and that CS for SB 159 do pass
- (and) recommends it be referred to the \_\_\_\_\_ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) \_\_\_\_\_

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_ recommends: \_\_\_\_\_

[Signature]

Chairman

February 22, 1977

Jay S. Hammond, Governor  
Pouch A  
Juneau, AK 99811

Dear Governor Hammond:

The Ad Hoc Committee on land policies and procedures has met on a weekly schedule since late October. We have addressed many problems dealing with the administration of the state's land patrimony. Many of these problems need resolution through the legislative process. Accordingly we are submitting these following recommendations as an interim report of the Committee, in the hope that the legislature may act during its current session.

Recommendation #1

The committee recommends that the State adopt a system of level payments in place of declining payments in its sales contracts. The system of level payments is in common use in the business world, and the payment figures are easily set forth in a contract. The disadvantage of the present method is that interest must be recalculated every year and the payments decrease each year. From both the State's and the buyers' viewpoints, the level payment method would be preferred. The State would receive slightly more in interest payments over the contract terms and the buyer would not have to make as high initial payments.

Section 2 & 3 of the attached draft bill would accomplish this.

Recommendation #2

The committee recommends that the State charge a market rate of interest in its sales contracts. The interest rate, at present 6%, is below market levels and may have contributed to inflated prices at state land sales. By setting interest rates at market levels, the State would help prevent inflated land prices and at the same time return more income to the State. To provide for a market rate of interest in sales contracts, no change in AS 38.05.065 would be required. The addition of a statement of market rate in this statute would be desirable, however.

Section 3 of the attached draft bill would accomplish this.

Recommendation #3

The Committee recommends that all sales contracts over \$400.00 per year have the option of paying in quarterly installments instead of annual installments. It is the committee's belief that this would ease the financial strain on the buyer and yet not add significantly to the State's administrative costs.

Section 3 of the attached draft bill would accomplish this.

AGO 885612 +

Recommendation #4

The committee recommends that the Director be given the authority to set the payment period from one to twenty years. This type of flexibility would allow the State and buyers greater market possibilities.

Section 3 of the attached draft bill would accomplish this.

Recommendation #5

The committee believes that the word "primarily" may imply special consideration to some lessees. In order to treat all lessees fairly and equitably the committee recommends that the word primarily be stricken. Deleting "primarily" would clarify the basis for reappraisal. This recommendation is also made by the hearing panel on the Alaska Industrial Subdivision leasing protest.

Section 8 of the attached bill will accomplish this.

Recommendation #6

Since public notice is covered in AS 38.05.345 the change to "appraisal" for AS 38.05.310 is warranted by its present content. The committee recommends that land may be appraised 120 days in advance of a sale or lease. The change from 90 to 120 days would be desirable in that minimum bid information could be given to the public well in advance of the actual sale or lease auction.

Section 10 of the attached draft bill will accomplish this.

Recommendation #7

The committee recommends that land offered over the counter be reviewed at 90 to 120 day intervals to determine if an increase in value has occurred. This review is desired so that parcels are not undervalued by progressive changes in the market.

Section 10 of the attached draft bill would accomplish this.

Recommendation #8

The committee recommends that in Title 38.05 of the statutes the terms "fair market value" be used in place of "fair appraised market value" and "market value." The meaning is meant to be the same in all cases. The committee would like to see one standard term used to avoid confusion and misunderstanding.

Sections 4, 5, 7, & 13 of the attached draft bill would accomplish this.

Recommendation #9

The duration of a lease and the economic life of substantial improvements, such as stores or factories may not coincide. In order to see that state leased land is used in a rational economically productive manner the committee recommends that lessees of long-term leases be given a renewal option for up to fifteen years. This type of option would grant the lessee more flexibility in maximizing

his investment returns, especially during the final years of his lease. It would also increase the lessee's planning possibilities for use of the leased ground. This action would also soften the impact of termination of the lease. Specifically, this would permit a lessee to work substantial repairs to a building when the remaining term of the lease would not otherwise justify it.

Section 6 of the attached draft bill would accomplish this.

#### Recommendation #10

In order to provide a uniform 55 year limit for all long-term leases the committee recommends deletion of the 99 year provision found in 38.05.070(c) for school lands.

Section 6 of the attached bill would accomplish this.

#### Recommendation #11

The committee believes that state trust lands (school, mental health, and university) are now and have been managed at a low intensity. These lands may be returning only a fraction of their potential value that could be realized by a small full time management staff. The Division manages, these lands at no charge to the various trust funds and receives no reimbursement for its services. Therefore, it has traditionally placed low priority on management of these lands. This committee recommends that the State Legislature authorize each trust board the authority to freely contract with any agency or private firm for the management of its lands for revenue production in accordance with the state's land act.

Section 1 of the attached draft bill would accomplish this.

#### Recommendation #12

To provide the lessee insurance against a land boom or unexpected increase the committee recommends that rental increases at the five-year reappraisal periods not exceed 100% of the prior existing annual rental rate. This action would increase the predictability of the lessees payments. The stability thus created would add significant borrowing power for the lessee to finance improvements on the leased ground. Mr. Mack of this committee does not concur and believes that 100% is too high a ceiling.

Section 8 of the attached draft bill would accomplish this.

#### Recommendation #13

The Division of Lands has had many protests from private parties over the past few years leading the committee to believe that a board of appeals is highly desirable and needed, at this time. At present there exists no arbitration board or board of appeals to handle appeals allowed by Division of Lands regulations. The creation of a board of appeals would effect a responsive mechanism for solving most problem cases arising out of Division of Lands transactions that affect private parties. The board of appeals would be faster and less costly to private parties than legal recourse, which would still be available. The board is structured to maintain adequate expertise while attempting to eliminate bias in favor of the

Division of Lands. The appeal board would substitute for the Commissioner in the present appeal process.

Section 14 of the attached draft bill would accomplish this.

Recommendation #14

The current procedures for informing the public of state lands transactions are covered in AS 38.05.305 and AS 38.05.345. The two procedures do not mesh in a clear manner. The committee recommends that the procedures be clarified in a manner that will be flexible enough to inform the public fully and yet not require multiple advertising for minor negotiated transactions.

Section 11 of the attached draft will accomplish this.

Recommendation #15

To implement the new lease provisions recommended by this committee new lease forms for various types of leases will be required. It is the committee's recommendation that the Division draft new lease forms to comply with the statutes adopted, and that the new forms be reviewed by this committee.

Recommendation #16

At present many lessees are suffering hardship due to rent increases of several hundred percent. To provide for this relief and as a curative for such future increases the statutory provisions found in section nine are recommended. Provision for optional conversion of present leases to ones that will place a ceiling of 100% on rental increases every five years will largely prevent future hardship cases and resolve satisfactorily the present cases. With a rent ceiling lease rental increases will be more predictable resulting in more financial stability for the lessee. Mr. Mack does not concur with the limitation of 100%.

Section 8 & 9 of the attached draft bill will accomplish the above recommendations.

Recommendation #17

The committee recommends that the Legislature apply the provisions found in Title 33 to those in Title 3 and Title 19. The rationale would be to make land laws uniform between the Division of Aviation, Department of Highways and Division of Lands.

Recommendation #18

To comply with new statutes the committee recommends a major overhaul of Division of Lands regulations. The committee has found many of the regulations now in effect to be outdated and superseded by statutes.

Recommendation #19

The committee recommends that the State be given more flexibility to resolve contract of sale violations. This is necessary to prevent foreclosure as the

AGO 885615

only remedy for minor contract violations.

Section 3 of the attached bill will accomplish this.

The committee wishes to note that in the course of public testimony it was apparent that Division of Aviation lessees had significant problems with their current leases. This subject was not within the scope of the committees deliberations and, therefore, not addressed.

The committee wishes to emphasize that this is an interim report and will be followed by additional recommendations not necessarily involving legislative actions.



THEODORE G. SMITH  
Co-chairman

Committee Members:

Hugh Gellert, Co-chairman  
William Mack  
John Norman  
Lidia Selkregg  
Jamie Love  
Carl Marrs  
Clark Gruening  
Mike Colletta  
Herb Lang  
David McCabe

IN THE

BY RULES COMMITTEE BY REQUEST  
OF THE GOVERNOR

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to state lands and providing for  
an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

\* Section 1. AS 38.05.030 is amended by adding a new subsection to read:

Section 38.05.030 (f). Notwithstanding the provisions of (a) and (e)  
above and 38.05.035 (a)(13), the trustees of state trust lands may manage or  
contract with any agency, public or private, for the management of trust  
lands pursuant to the provisions of this chapter. Costs of such management  
shall be borne by the respective trusts.

\* Section 2. AS 38.05.055 is amended to read:

Section 38.05.055. SALE PROCEDURES. Except as provided in Section  
315(d) of this chapter, the sale shall be made at public auction to the  
highest qualified bidder as determined by the director. An aggrieved bidder  
may appeal to the commissioner within five days after the sale for a review  
of the director's determination. The sale shall be conducted by the director  
or his representative, and at the time of sale the successful bidder shall  
deposit an amount determined by the director but not less than 5% (EQUAL TO  
ONE-TENTH) of the purchase price. The director or his representative shall  
immediately issue a receipt containing a description of the land or property  
purchased, the price bid, and the terms of sale, which receipt shall be  
acknowledged in writing by the bidder. A contract of sale on a form approved  
by the attorney general shall be signed by the purchaser and, after approval of  
the commissioner, the contract shall also be signed by the director on  
behalf of the state.

\* Section 3. AS 38.05.065 is amended to read:

Section 38.05.065. TERMS OF CONTRACT OF SALE. The contract of sale  
shall require the remainder of the purchase price to be paid over a period

of not more than 20 years, which shall be set for each sale by the director.  
Installment payments plus interest will be set on the level payment basis  
over the payment period. The interest rate charged on installment payments  
shall be the prevailing rate on similar land transactions at the time the contract  
is signed, as determined by the director, but in no case shall it be below  
5% per year or above the current usury rate as set by AS 45.45.010(b) and (d).

(IN ANNUAL INSTALLMENTS OF NOT LESS THAN 10 PER CENT OF THE PURCHASE PRICE,  
WITH INTEREST AT THE RATE OF NOT LESS THAN FIVE PER CENT A YEAR.) The  
director, with the consent of the commissioner, may also impose conditions,  
limitations, and terms which he considers necessary and proper to protect  
the interest of the state. Violations of any provision of this chapter or  
the terms of the contract of sale subject the purchaser to appropriate  
administrative and legal action, including but not limited to specific  
performance, foreclosure, ejectment, or other legal remedies in accordance  
with applicable state law. (LEGAL ACTION, INCLUDING A FORECLOSURE ACTION  
IN ACCORDANCE WITH APPLICABLE STATE LAW.)

\* Section 4. AS 38.05.067(b) is amended to read:

Section 38.05.067(b). The director shall not sell the lands under this  
section at less than their fair (APPRAISED) market value. The director shall  
make regulations necessary to ensure that lands sold under this section are  
for bona fide residential use and not for speculation.

\* Section 5. AS 38.05.068(a) is amended to read:

Section 38.05.068(a). FOREST SERVICE PERMITTEES' SALES PREFERENCE.  
Before offering to the public any land which is subject to a valid existing  
United States Forest Service permit in effect in a state-selected area at  
the time the area was patented to the state, or which is subject to a lease  
issued under Section 87 of this chapter, the director shall offer the land  
for sale to the permittee or his successor in title, if he can be found, at  
not less than its fair (APPRAISED) market value before offering to the  
general public.

\* Section 6. AS 38.05.070(c) is amended to read:

Section 38.05.070(c). A lease may be issued for a period of up to 55  
years, if it appears to be in the best interest of the state and if the  
commissioner approves. A lease for a period in excess of 25 years shall grant  
the lessee an option entitling him to extend the term of the lease for up to  
3 consecutive five year periods in addition to the original term. If the Commissioner  
determines that the land or a part of it which is the subject of a grazing

AGO 885618

lease is not being used for the purpose issued, the lease may be declared void. (HOWEVER, A NONRENEWABLE LEASE FOR SCHOOL LANDS MAY BE ISSUED FOR A PERIOD NOT TO EXCEED 99 YEARS.)

\* Section 7. AS 38.05.087(a) is amended to read:

Section 38.05.087(a). FOREST SERVICE PERMITTEES' LEASING PREFERENCE. Before offering to the public any land for lease which is subject to a valid existing United States Forest Service permit in effect in a state-selected area at the time the area was patented to the state, the director shall offer the land for leasing to the permittee at not less than its fair (APPRAISED) market value before offering it to the general public.

\* Section 8. AS 38.05.105 is amended to read:

Section 38.05.105. Each lease shall stipulate that the annual rental payment is subject to adjustment at five year intervals and shall be based (PRIMARILY) on a reappraised annual rental value. Any increase due to reappraisal may not exceed 100% of the annual rental for the preceding 5 year period. However, if the director of the division of lands determines that residential development is the best use for the land, the reappraisal period may be lengthened or the readjustment waived in accordance with regulations adopted by the commissioner. Before a waiver of rental readjustment is issued, the land shall have a current reappraisal. A waiver is valid only if residential development actually occurs, and only if it is necessary for obtaining primary long-term financing. The regulations adopted under this section shall ensure that the state receives a fair return from the land.

\* Section 9. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.106. CONVERSION OF LEASES. (a) Any person holding a valid lease as lessee of lands from the State under provisions of AS 38.05.070 - .105, or as an approved assignee of such lessee under the terms of such lease, may, at his option, convert his lease so as to obtain certain benefits, enumerated in subparagraph (b) below, which were not available to him at the date his lease was originally entered, if the lessee at the time of conversion makes all payments due under the conversion rate and is not in violation of any other lease provision.

(b) Those lease benefits which shall be made available to a lessee qualifying under subsection (a) of this section shall be all of those lease provisions authorized or made applicable by this act to new leases entered into by the State after the effective date of such statutes.

(c) The effective annual rental value at conversion shall be based on the most recent reappraisal provided that such reappraisal was within 2 years of the effective date of this act. In all other cases, the conversion shall be based on the next reappraisal.

(d) Any conversion as to trust lands shall be effective only if approved by the appropriate board of trustees.

(e) Applications for conversion must be made within 3 years of the effective date of this act.

\* Section 10. AS 38.05.310 is amended to read:

Section 38.05.310 (NOTICE AND) APPRAISAL. (a) No land may be sold or leased, or a renewal lease issued (WITHOUT PUBLIC NOTICE) except in the case of an oil or gas or mineral lease, unless it has been appraised within 120 (90) days before the date of (FIXED FOR THE) sale or lease. (WHEN LAND IS OFFERED AT PUBLIC SALE BUT IS NOT SOLD AND IS AVAILABLE) over the counter sale (AT THE PRIVATE SALE, NO) an (RE)appraisal is required unless the director finds (CONSIDERS) that a change in value of the lands has not (MAY HAVE) occurred. A grazing lease may be granted to a lessee of federal grazing lands without prior appraisal, if his federal lease was cancelled to allow the state to select the lands under lease. No land may be sold or leased for less than fair (THE APPROVED, APPRAISED) market value, except as provided in .315 and .320 of this chapter and .75 - .85 of this chapter. No land or interest in land may be sold, leased, or otherwise disposed of without public notice.

(b) When land is offered at public sale but is not sold, it may be available for sale over the counter. The director shall review the list

of lands available on a quarterly basis and shall certify that there has been no change in value since the last reappraisal. If an increase in value occurs in any parcel, the director shall withdraw that parcel from sale over the counter.

\* Section 11. AS 38.05.345(a) is amended to read:

Section 38.05.345(a). Public notice of an auction sale (LEASE OR OTHER DISPOSAL) of land or interest in it shall be substantially as follows.

\* Section 12. AS 38.05.345(e) is amended by adding a new subparagraph to read:

Section 38.05.345(e) Public notice of an action other than as specified in paragraph (a) above shall conform to the requirements of AS 38.05.305 and this paragraph. Such notice shall, when given pursuant to AS 38.05.305(c), be published at least once in a newspaper of general circulation in the vicinity in which the land affected by the proposed activities is located.

\* Section 13. AS 38.05.365 is amended by adding a new subparagraph to read:

Section 38.05.365. "Market Value" or "Fair Market Value" means the highest prices, estimated in terms of money, which the property would bring if exposed for a sale for a reasonable time in the open market, with a seller, willing but not forced to sell, and a buyer, willing but not forced to buy, both being fully informed of all the purposes for which the property is best adapted or could be used.

\* Section 14. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.380. STATE BOARD OF LAND APPEALS. (a) The State Board of Land Appeals shall consist of five members, one of whom shall be the Commissioner of Natural Resources or his designated representative. The other members of the board shall be appointed by the governor from the general public, with due regard for the desirability of prior legal, natural resource or real estate training and experience as criteria for selection of public members. All board members are subject to confirmation by a majority of the members of the legislature in joint session.

(b) The director of the division of lands shall provide administrative support for the board.

(c) The governor shall appoint the public members of the board for terms of three years each, except that the initial terms of one of the members first appointed under this chapter shall be for one year and one member for two years. The public members are entitled to compensation

in the amount of \$50.00 per day for each day or portion of a day spent in actual meeting or on authorized official business incident to their duties, and to all other transportation and per diem expenses as provided by law.

(d) Jurisdiction of the board shall extend to all matters arising under the Alaska Land Act (AS 38.05) and the Water Act (AS 46.15) from which an appeal may be taken under statute or regulation to the commissioner from a decision of the director, division of lands. The board in all appeals filed after the effective date of this chapter, shall have the appellate authority formally vested in the commissioner by provisions of the Alaska Land Act. An appeal from a decision of the board, if taken, shall be to the Superior Court.

of a quorum shall be able to render a decision. The board shall adopt regulations governing its procedures, and may adopt other regulations which may be necessary or convenient in carrying out the purposes of this chapter.



# Alaska State Legislature

JUNEAU ALASKA

## M E M O R A N D U M

TO: Senator John Sackett March 8, 1977  
FROM: Senator Kay Poland *KP*  
RE: CSSB 159, Leasing of State Land for  
Purposes Other Than for the Extraction  
of Minerals

There has been transmitted to Senate Finance the Senate Resources Committee Substitute for SB 159 as referenced above.

During 1976, the Division of Lands raised rentals to what was considered an onerous level. More importantly, the non-definable upper level of government and other potential excesses, severely limited, or eliminated, bank loan considerations. The complete file of testimony given to the Resources Committee contains a schedule clearly depicting the rental increases and percentages. That testimony is transmitted herewith, and has already been made available to Senators Butrovich, Tillion, Meland and Croft. We can provide additional sets if necessary.

The original SB 159 allowed for too frequent compounding of appraisals and rental increases, thus not affording proper remedy.

I feel that the Committee Substitute does afford proper relief in lease rentals while protecting the interests of the State. The attached telegram indicates the acceptance of the CS by the Leaseholders Association. I would urge early action on the measure to resolve the present conflict between the leaseholders and the State administration.

KP:ke

cc: Members - Senate Finance Committee

Box 25  
Kodiak, Alaska 99615  
April 5, 1977

Senator Kay Poland  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Sen. Poland:

We are concerned about the implications of SB 159  
for the ranching on Kodiak Island. Please send  
us a copy of the bill at your earliest convenience.

Sincerely,

*Wanda Fields*

Wanda Fields

*Sent  
4-11-77*

AGO 885625 +

Gentlemen:

I think the most recent draft of recommendations to the Governor and Legislature is extremely unfair for the following reasons:

The committee met and made decisions most of the time without what I consider a proper quorum. Sometimes with as few as four members.

The input of the State Division of Lands was overwhelming. I attended all but one of the meetings whereas a minimum of seven to twelve or more people of the Division of Lands attended. They were recognized to speak at all times, whereas the leaseholders were represented by one, Bill Mack, and a few leaseholders who were recognized at times and ignored at other times. Few leaseholders could afford to leave their business or jobs to attend, and paid lease holders attendance was nil simply because we did not have the \$70.00 per hour.

Probably the greatest input from the Division of lands was from Mr. Ron Bunn, the States appraisor, who in my opinion is extremely incompetent. I refer you to the recommendations of the Hearing Panel appointed by the Director of the Division of Lands for your evaluation.

We Had hopped to rebut and offer our recommendations at a final meeting, ~~but~~ we are at that meeting now - and we are limited to 5 minutes each, or a total of 2 1/2 hours, to counter the spoonfed testimony of the Division at meetings held regularly every week since last October, plus an unknown number of secret meetings, so-called work sessions, plus dear knows how many private contacts by employees of the Division with the panel members.

To my knowledge, we have had only 4 or 5 private contacts with panel members, plus a few minutes during coffey brakes at the regular hearings. I don't know of one member other than Bill Mack, who has attempted to contact us to talk to us, or ask to see our leased land and improvements. *Get our story*

In short, we have 5 minutes individually, or 2 1/2 hours collectively, to try to salvage our millions of dollars and 20 years' <sup>invested</sup> invested in good faith in our leases.

Looking at the recommendations addressed to Governor Hammond, dated Feb. 22nd and signed by Theodore Smith, it appears that anyone, including the Governor, coul<sup>d</sup> interpret them to mean that the committee members listed on the last page concurs in the recommendations. But in checking with some of the committee members I find some have almost an exact opposite opinion - possibly the majority do. I suggest the final recommendations be signed only by those members who totally concur, or at least have the dissenting opinions noted. If not, it appears to me the odds of coming up with viable lease recommendations from this committee are greater than 1000 to 1.

*Pages included Cont Monus.*

While in Juneau, I met Mr. Phil Holsworth, the Commissioner of Natural Reserves at the time our leases were issued. His opinions and recommendations of the original intent of our leases could be most helpful to this committee - in fact to all of us.

Recommendation #12, limiting rent increase to 100 percent of prior annual rentals: I refer you to the Ron Bunn memorandum to Ted Smith, present director of lands, dated 2-22-77

Quote: " Some parcels have a very slight rent advantage while others would be substantially below the current market and would possibly never catch up to market rent even with 100 percent increases each five year period." Unquote.

As I read it, the maximum also becomes the minimum, which according to Ron Bunn and probably the Division of Lands, is not enough. They proved this by trying to impose an 850 percent increase on me! I should possibly thank this committee for recommending they would reduce my lease payments from possible billions to only forty million, but that would be like thanking someone for drowning me in Lake Lucille or the bathtub instead of the Pacific Ocean.

Compounding 100 percent every 5 years on my lease, block 3, lot 7A, less than 2 acres, would show a total rental of \$40,325,900.00 for 55 years.

Almost any policy recommending compounding would be disastrous. Compounding one dollar, 100 percent, 20 times totals \$4,048,576.00.

Compounding \$100.00, 100 percent, 15 times totals \$1,638,400.00. Compounding it a few more times is beyond the capacity of any standard calculator. Possibly when this committee and the Division of Lands compiled their figures for our leases, their calculators had a loose screw or slipped a couple of cogs - you check it!

*Paper - Attached. My figures*

To compare this lease policy with the policy of the bank: Several years ago I borrowed \$162,000.00 from the First National Bank to construct a warehouse on lot 7-A, block 3, Alaska Industrial Subdivision. The lot at the time was appraised at approximately 30,000.00 dollars. The total pay out to the bank for the use of their money - principal and interest - would be approximately \$300,000.00. The total pay out to the State for use of their \$30,000.00 piece of land, using the committees compounded 100 percent revaluation would amount to over \$40,000,000.00 - plus return of the land! Yet this committee and the Division of Lands claims this is fair and will encourage development.

In our recent hearing before the Senate Resources committee I think we convinced that committee to take the 1975 appraised value of the property and multiply it by a figure somewhere between five and ten, and then divide that figure by 55 to come up with the annual rent, with the larger proportions coming at the latter part of the lease. Which would make our leases bankable, and more feasible to pay and encourage development. This would give us a positive figure of what we would have to pay for the 55 year land use.

Section 8 of the Committees proposed bill - waiver of rent adjustment. Why residential and not industrial, agriculture, utility, etc.?

Section 9, ¶ A, B, C, Conversions of leases. Paragraph C throws us right back to the mercy of the State appraisers. We would be in the exact position we were in when we got our notice of reappraisal in July 1976 with an 850 percent increase - it is no solution at all.

I recommend that the committee choose an appraised value of our leases predating Ron Bunn and the present Director of the Division of Lands. SB 159 has selected January 1, 1975.

I also recommend that this committee review the new lease forms and regulations and submit ~~them~~ for public comment and recommendations The total package of State lease policy. Otherwise there is the probability that the Division of Lands will alter or misinterpret the intended objectives of the new lease policy and the leaseholders will be right back appealing for a new hearing - or be in court.

If the recommendations of the Ad Hoc committee are left as they are and not substantially changed, especially recommendation #12 and Sec. 8 and 9 of the proposed bill, the results will force the present leaseholders to surrender their leases and totally destroy the leasing of Alaskas State lands for the foreseeable future.

In closing, Mr. Norman, one question: If the recommendations as they were submitted Feb. 22nd by this committee were followed, would you recommend to a client to take and develop a state lease, or would you want one yourself? Yes or no please.

Joe Wilhour  
Box 740  
Wasilla, Alaska 99687  
376-5601

I think 8 mo. observation, Hearings, Etc  
to State Division of Lands objective is  
to break us & take our leases  
Hope this committee don't help them.  
(Sorry if I hurt anyones feelings)  
~~Am new at this can only say as I think,~~  
I have NOT acquired the art of  
separating what I think from what I  
say.

ALASKA INDUSTRIAL SUBDIVISION LEASEHOLDERS ASSOCIATION

EXAMPLE OF A LONG TERM LEASE APPRAISAL METHOD PROPOSED BY LEASE AGREEMENT REVISED 1/27/77.

MY APPRAISAL \$65,640.00 - TO BE REAPPRAISED NEXT YEAR (1978).

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COST TO LEASEE</u>
1-5	0%	100%	\$ 65,640.00	\$ 19,700.00	\$ 19,700.00
5-10	100%	200%	131,280.00	39,400.00	59,100.00
10-15	100%	400%	262,560.00	78,800.00	137,900.00
15-20	100%	800%	525,120.00	157,600.00	295,500.00
20-25	100%	1600%	1,050,240.00	315,200.00	610,700.00

Beyond year 25, one can't calculate further as per Paragraph 9; we would have nothing any different than we have now. However, if one projected 100% compounded every 5 years until the end of the lease, this is what he would have:

25-30	100%	3200%	2,100,480.00	630,400.00	1,241,100.00
30-35	100%	6400%	4,200,960.00	1,260,800.00	2,501,900.00
35-40	100%	12800%	8,401,920.00	2,521,600.00	5,023,500.00
40-45	100%	25600%	16,803,840.00	5,043,200.00	10,066,700.00
45-50	100%	51200%	33,607,680.00	10,086,400.00	20,153,100.00
50-55	100%	102400%	67,215,360.00	20,172,800.00	40,325,900.00

On Lot 7A, Block 3, I built a 12,500 foot warehouse for over \$200,000.00, and have it leased to Mammoth Trucking for 35 cents per ft. which is a fair market value for the location. This is a gross annual income of \$52,500.00. With expenses as follows: (annually)

Bank payments	\$21,000.00
Utilities	4,274.59
Taxes, insurance	6,311.14
Maintenance, misc.	5,400.64
Land Lease	3,940.00
Total	\$40,926.37

This produces a net profit, before taxes, depreciation, vacancies, inflation etc. of \$11,573.63. With the land lease raised in accordance with the above scale, it can be readily seen that there is no way I can possibly hold on to the property and improvements beyond six years.

Every leaseholder in the Alaska Industrial Subdivision is faced with the same circumstances to a greater or lessor degree. How can the State expect to enhance development with this kind of lease policy?

The question is, shall the State lease land or not?

If not, the proposed lease policy will accomplish this. I would recommend that the State should at least buy the improvements from their present

leasees, who they mis-lead many years ago. If you want the State to continue to lease land and treat their leasees fairly, I request that you recommend our bill to the Governor and the legislature.

Thank you.

Joe Wilhour  
Box 740, Wasilla, Alaska 99687  
Telephone 376-5601

# ALASKA LAND AND LEASE OWNERS ASSOCIATION

## TRANSMITTAL TO ALASKA DIVISION OF LAND

### EXAMPLE OF A LONG TERM LEASE APPRAISAL METHOD

ASSUME ORIGINAL COST OF LEASE - \$10,000.00  
LEASE PAYMENTS TO EQUAL 75% OF APPRAISED VALUE X 6%/YR.

TERM	% INC YR	% INC TERM	% ORIG VALUE	NEW APPRAISED VALUE	LEASE PAYMENTS	ACCUMULATED COST TO LEASEE
1-5	5%	25%	100.00%	10,000.00	2,250.00	12,250.00
5-6	5%	25%	125.00%	12,500.00	2,812.50	15,062.50
6-10	5%	25%	156.25%	15,625.00	3,515.63	18,578.13
10-15	5%	25%	195.31%	19,531.25	4,894.53	22,972.66
15-20	5%	25%	241.14%	24,114.06	5,493.16	28,465.82
20-25	5%	25%	305.18%	30,517.58	6,866.44	35,332.28
25-30	5%	25%	381.48%	38,146.98	8,583.05	43,915.35
30-35	5%	25%	476.85%	47,683.73	10,728.81	54,644.16
35-40	5%	25%	596.06%	59,604.66	13,411.02	68,055.18
40-45	5%	25%	745.08%	74,507.83	16,763.77	84,818.95
45-50	5%	25%	931.37%	93,132.29	20,954.71	105,773.66
50-55	5%	25%	1,164.18%	116,415.36	26,193.39	131,967.05

At the end of a typical 55 year lease using a reasonable 5%/year increase in appraised value, the State of Alaska collects \$131,967.05 for a parcel that cost \$10,000.00 originally - still owns the land, and lease holder has no accrued equity. To compare this to fee simple title for appraisal is wrong and not good business on the part of the state.

If the parcel changes hands during a 55 year lease the state could place a reasonable tax on any net lease holder gain, for example 5%, this would leave incentive for investors, developers and not unfairly penalize individual lease holders who want to live on state lease land.

In view of the example above how can reappraisals amounting to increases of from several hundred to over one thousand percent in a 5 year period be justified?

RESPECTFULLY SUBMITTED  
BY

ALASKA LAND AND LEASE OWNERS ASSOCIATION

# MEMORANDUM

TO:  TED SMITH  
Director

DATE : February 22, 1977

FROM: *R.B.*  
RON BUNN

SUBJECT: Rent Savings

As can be seen from the four leases presented, the amount of the rent savings when basing the new contract on the original annual rental will vary substantially depending on the commencement date. Some parcels have a very slight rent advantage while others would be substantially below the current market and would possibly never catch up to market rent even with 100% increase each 5 year period.

When considering conversion of old leases based on original rentals, there are several things to be considered. First, a number of parcels have retained the original ADL number while either being increased or decreased in size through combining parcels or splitting parcels and thereby effecting the unit value and resulting rental. Difficulty may arise in determining which portion of the original land and original rent should apply to the new parcel under the new lease.

Also some lease contracts were originally negotiated at a nominal rate until a proper appraisal could be performed. To base the converted contract rent on the negotiated rental would bear no relationship to todays market value.

Further, numerous parcels have been assigned since they were originally leased and bonuses paid may not bear any relationship to their actual value due to an unknowledgeable market. Therefore, if anyone besides the present lessee were to receive rent refunds it would be quite difficult to determine how much would go to whom.

It would seem that in order to be equitable to all lessees, the following methods could apply:

- (1) For those parcels which represent an economic unit, the fair market value of the land at the original rate would apply under the most recent appraisal, if performed within the past 2 years or the next scheduled appraisal. }
- (2) For those parcels which do not represent economic units

# COOK INLET REGION, INC.

1211 WEST 27th AVENUE  
(907) 274-8638

P.O. BOX 4-N  
ANCHORAGE, ALASKA 99509

March 2, 1977

Mr. Theodore G. Smith,  
Co-Chairman  
Ad Hoc Advisory Committee  
328 East 4th Avenue  
Anchorage, Alaska 99501

Dear Mr. Smith:

I work with Carl Marrs, a member of the State Ad Hoc Advisory Committee. On three occasions I attended those meetings when he was not present.

Carl is in Hawaii at this time when the Committee is soliciting comments on their interim recommendations to the Governor. I have read the recommendations that the Division sent to this office and also spoke with Joe Wilhour, a State lessee.

I talked with Carl on other matters and also mentioned these recommendations. In reference to Recommendation No. 12, he told me that he didn't concur with it, feeling that a ceiling of 100% could be too high a figure and therefore may not be equitable to the lessees. Perhaps this matter can be taken up again at a future committee meeting and be resolved to everyone's satisfaction.

Sincerely,

COOK INLET REGION, INC.

  
Kirk McGee,  
Acting Land Manager

25 159

TESTIMONY ON SENATE BILL #159

By Joe Wilhour

Ladies and Gentlemen:

First, I would like to thank you for your time and efforts in consideration of our "headache"; and second, I would like to request you "hang in there" -- we're improved, but not cured.

On my lot 7-A, Block 3, Alaska Industrial Subdivision, the proposed lease payments of Bill 159 would total over three million dollars. That's 45 times the 1975 valuation, or approximately 600 times the appraised value when first leased in 1958.

I contend that this is not a fair lease. Not to me, not to future leaseholders, and not to the State of Alaska. It will not encourage development; in all probability it will force the leaseholders to do unto others as the State of Alaska has done unto them; increase our tenants' rent, increase the price of our products and services to the extent they are not competitive, thereby forcing us out of business and to abandon our State leases. Within 10 to 15 years, Section 16 could easily be mistaken for a slum area.

I built a 12,500 foot warehouse for over \$200,000.00, and have it leased to Mammoth Trucking for 35 cents per foot, which is a fair market value for the location. This is a gross annual income of \$52,500.00. With annual expenses as follows:

Bank payments	\$21,000.00
Utilities	4,274.59
Taxes, Insurance	6,311.14
Maintenance, Misc.	5,400.64
Land Lease	3,940.00
Total:	<u>\$40,926.37</u>

This produces a net profit, before taxes, depreciation, inflation, vacancies, etc. of \$11,573.63. Senate Bill #159 would allow me to hold the property for approximately 10 years, which would relieve my present situation and allow the leaseholders time to seek additional corrective legislation, but both my inability to obtain bank financing and my common sense would prohibit improvements or further development. Look at the statistics:

ALASKA INDUSTRIAL SUBDIVISION LEASEHOLDERS ASSOCIATION

EFFECT OF SENATE BILL #159 ON MY PROPERTY LOCATED BLOCK 3, LOT 7A, ALASKA INDUSTRIAL SUBDIVISION. LOT SIZE APPROXIMATELY 64,000 SQ. FT. APPRAISED AT \$65,640.00 TO BE REAPPRAISED 1978.

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COST TO LEASEE</u>
1-10	0%	100%	\$ 65,640.00	\$ 52,512.00	\$ 52,512.00
10-15	50%	150%	98,460.00	39,384.00	91,896.00
15-20	50%	225%	147,690.00	59,076.00	150,972.00
20-25	50%	337.5%	221,535.00	88,614.00	239,586.00
25-30	50%	506.25%	332,302.00	132,920.80	372,506.80
30-35	50%	759.38%	498,454.00	199,381.60	571,888.40
35-40	50%	1,139.07%	747,686.00	299,074.40	870,962.80
40-45	50%	1,708.61%	1,121,531.00	448,612.64	1,319,575.44
45-50	50%	2,562.92%	1,682,301.00	672,920.28	1,992,495.72
50-55	50%	3,844.38%	2,523,451.00	1,009,380.40	3,001,876.12

1. Above is MINIMUM
2. Rates are compounded
3. When lease finished, leasee will have paid 45.73 times value  
(3,001,876 ÷ 65,640)

What amount would I, or anyone, have to invest to make this land support a State lease under SB#159? And where and how could it be financed?

Regardless of the formula used, as I said before, whether it be a percentage of the reappraised value every five years, a comparison to private leases, the number of quills on a porcupine divided by pi, or the number of moose in the Mat-Su Valley times the square root, if the total monetary figure exceeds six times the appraised value of the land at the time of lease, it will not be a fair rental that will enhance development and be acceptable to future leasees.

This is but one example of many, so again I request your cooperation. Put your feet in my boots and walk a mile, and I'm confident we can pass a better law that will be fair to present leaseholders, more desirable to all future leaseholders and non-leaseholders, and beneficial to our State Government both now, and in the future.



# THE FIRST NATIONAL BANK OF ANCHORAGE

February 22, 1977

Mrs. Kay Poland  
Resource & Finance  
Legislature of Alaska  
Juneau, Alaska


Dear Mrs. Poland:

This concerns our bank's attitude in providing funds for the purpose of financing leasehold improvements on land leased from the State of Alaska.

Our loans on improved real estate are governed by certain regulations made by the Comptroller of the Currency, United States Treasury Department. Any leasehold, against which we are lending money, must have a firm lease extending at least ten (10) years beyond the term of our loan. In calculating the amount of the loan against a leasehold, we must project the expenses incident to the operation of the property. This includes lease payments that are subject to increases of an unknown amount. We are understandably reluctant to make such loans.

Our bank's policy is to loan against leaseholds for a term in which we are assured of a reasonable fixed payment. We will not make loans when we are not able to accurately forecast the lease payments during the term of our loan.

Sincerely,

  
David G. Freund  
Vice President

DGF/er

AGO 885638

The following comments, opinions, and recommendations regarding State land leasing are offered to further acquaint you with the bill we are submitting this session.

I first leased property in Section 16 in 1958 in an advertised competitive bid sale. Mr. Chipperfield, Territorial Director of Lands at the time, told the group that we would pay no taxes on the land because we didn't own it. This is not true - the city of Anchorage came up with what they call lease-hold-interest, and we have paid taxes every year. Also, we were told that over the 55 year period we would be paying more than the land could sell for, but not having to pay taxes, it would be very little more. Many of the present leaseholders acquired their land at the original sale and were told that the State wanted to develop a tax base, and develop the land.

I was in my thirties in 1958, so a 55 year lease represented my life span. Either through stupidity or unwarranted faith in the integrity of the State, I have spent most of my, and my wives, available time and money that was not absolutely necessary for a growing family, on the development of these leases. A lot of this time and money was spent improving the land itself; stripping the trees and top soil, filling a large gully which ran from the road through the property and along the south side and adding gravel. I now lease these improvements back from the State.

Until recently the State has adjusted our rent every five years from approximately 40 to 100 percent, which is high, but workable. Now that the land has been developed and put to good use, forming a tax base by the investment of millions of dollars, and creating employment for over a thousand people, the State has adjusted our rent 850 percent to over 1000 percent.

Are we reverting back to a feudal system? Or State Land Barons vs sharecropper leasees? Or a con-game? One wonders, but with lease payments so high it's the equivalent of the State condemning the land! Through their reappraisal, the State has, in effect, condemned the leases.

Under the current policy the State has turned a 55 year lease into a 5 year lease. This year there has been less development in Section 16 than in any other part of town. It is impossible for the leaseholders to get financing, which has stopped development. See paper from the First National Bank of Anchorage attached. One question is whether it is advisable to repair a leaky roof.

My position is impossible. My annual rent increased from \$3,940.00 to \$32,800.00. I cannot increase my investment because the financing has been made impossible. I cannot raise my tenants rent and compete with fee-simple land rents. To raise my rents accordingly will only create vacancies and undermine my chances of making lease payments if and when the State does come up with a fair rental. And I cannot afford to just walk away from my 20 years investment of time and money, with only part of the money repaid to the bank.

At the 1975 rate of \$3940.00 per year, I would pay the State, for my less than 2 acres, a lease rental for my remaining 37 years, \$145,780.00 - nearly 15 times the original appraised value, plus what's already been paid the past 18 years.

At the current rate of \$32,800.00 per year, and with no additional reappraisals but precariously assuming I could hold onto the property, I would pay the State for my less than 2 acres, a lease rental for my remaining 37 years, \$1,213,600.00, plus what's already been paid the past 18 years.

If the State raises my rent the same 850 percent every 5 years, I would pay the State a lease rental for my less than 2 acres, for my remaining 37 years, \$272,151,090,464.00, plus what's already been paid the past 18 years. Fantastic!

I built a 12,500 foot warehouse for over \$200,000.00, and have it leased to Mammoth Trucking for 35 cents per ft. which is a fair market value for the location. This is a gross annual income of \$52,500.00. With expenses as follows: (annually)

Bank payments	\$21,000.00
Utilities	4,274.59
Taxes, Insurance	6,311.14
Maintenance, Misc.	5,400.64
Land Lease	3,940.00
Total	<u>\$40,926.37</u>

This produces a net profit, before taxes, depreciation, inflation, etc. of \$11,573.63. With the land lease raised to \$32,800.00, an increase of \$28,860.00, it will show a loss of \$17,286.37. It appears the State not only wants their land back, but also my warehouse! Who pays the bank? What amount would I have to invest to make it support a State lease? Few, if any of us, would not give up our leases if we could recover our investments.

In comparison to the Fishing land leases, the lease for set-net fishing, not to exceed 10 years, quote, "The Director shall establish a reasonable rental for the lease, equal to the Administration costs involved in processing the leasehold application." These leases, however, may produce large profits for the lessee with small, comparable investment, and cost less than \$50.00 a year.

In comparison of individual tracts of land, Bob Penney and the Teamsters Union are leasing larger tracts, of greater value, for pennies where many are paying dollars. Mr. Penney averages about \$750.00 per acre. The Teamsters Union averages about \$3,500.00 per acre - with no reappraisal. My lease averages over \$19,000.00 per acre. If I, and my banker, had chosen to be dishonest we could have arranged a similiar situation, but that is not justification for bias on the States behalf.

In comparison to housing, the State has passed a law of rent control whereby the lessor must justify any housing rent increase. No law exists for State leaseholders and rents may be unjustly raised. No law states we cannot just pass this increase on to our tenants, but there is no way we could still compete with fee-simple land rents so we will only create vacant land and buildings. Because, however,

additional expenses must be commensurate with additional income if we are to survive financially, a large measure, or all, of such additional expense must be passed on to our tenants, or added to the cost of our product or services. The State should not be the leader increasing such inflation, but should take every action possible to hold it down.

In comparison to other land lease policies, the Mat-Su Borough pamphlet of June 26th states the lease amount is not subject to reappraisal. The highest bid establishes the annual rental for the 55 year term of the lease. With the capital move to Willow, how will the State lease land in the Willow area?

Some possible recommendations:

1. level payments, similar to the recent Mat-Su Borough auction, not changed every time the administration is changed. Eliminate the State "open-end" policy. A stable lease enables the leasee to plan ahead and this ridiculous predicament won't happen again in the future.
2. Some arrangement should be made whereby a lease is bankable. A long term lease should be comparable and competitive in price at time of lease, with fee-simple sales.
3. Taxes, if any, on the land itself, should be at a percentage rate, on all state-owned lease land.
4. Consideration and lowering lease rate scale for value of improvements made, due to additional taxes incurred and as incentive to develop industry, and protect human rights.
5. Some method to renew a lease 15 to 20 years prior to its current expiration date, in order to secure financing and continue to develop the property.
6. Maximum return for State leased land should be a fair rental encouraging leasing and development of additional State land, and not exorbitant returns and the eventual forced voidance of the approximately one percent of state land now leased. Forced voidance of the present land leases, and continuance of the existing policy so no one will be dumb enough to lease additional lands, will surely not benefit the State, and just as surely will not benefit her residents.
7. Some formula giving retroactive credit for money already paid into the land lease and credit for development and investments already made. Also, a fair appeal process - fair to both the State and the leasee.
8. The present blanket easement should be eliminated from the leases not only because it is not bankable, but also because, if exercised, it would take all value out of the leasehold interest, and could ruin the leasee business without any compensation.
9. A public hearing would be informative and advisable. I would recommend such public hearing be held in the Anchorage area where the majority of lease holders can attend.

As I see it, the recommendations should result in a lease policy that make leases desirable to you as individuals, and all residents of the State. They shouldn't change every 5 years. They should be bankable and have a value, especially after payments have been made for some 20 years or more. They should, as the Constitution states, "enhance development". The State will get their maximum return by

AGD 885641

taxing the development and its income, and by being able to lease their millions of surplus lands. Reappraisal and any adjustment of increased values due to inflation should come at the end of the lease period. If this can't be done, the land should be sold, allowing credits for those who have for a long time paid lease rents, paid to improve the land itself, and paid to develop the property into taxable use.

The State gets three shots at its leaseholders; (a) land lease rental payments, (b) taxes on improvements and (c) income tax. By taking an unfair advantage of the lease rental payments, the State will, or possibly has already, eliminated all three.

On Thursday morning, Dec. 16th, I attended the Governors Advisory Committee meeting where two representatives of F.H.A. testified that the appraisal clause and other parts of the State leases would not be acceptable for F.H.A. commercial or residential loans.

Mr. Paul Troch, (344-4665) a constitutional lawyer and teaching professor testified he has clients who are going to bring suit if that is the only way to get the State to comply with the regulations provided in its charter, which reads the State must provide a way to distribute its lands to the public for development.

Thursday afternoon I saw Mr. Richard Ullrich, Loan Examiner of the State Veterans Affairs. After explaining the terms of our State leases, he said the State Veterans would not, or could not, make a loan under the terms of our leases. Especially the reappraisal clause which the State Division of Lands claims is a fair rental.

Also, Thursday, I visited the Alaska State Bank where I couldn't help but notice the pictures of Anchorage, taken about 1915, on the walls. And compare the Anchorage of today through the windows. I wondered what Anchorage would look like now if the Territory, or Federal Government, had used the present state land policy to develop the area.

There is no way the leaseholders can unreasonably increase the price of their rentals, products, or services, every five years to meet the increased rentals which the State Division of Lands claims are fair. Local competition in the town and the State, as well as State and Federal regulations, such as the trucking industry who must abide by ICC regulations, eliminate the possibility. Other businesses in town, grocery stores, department stores, banks, etc. do not raise the price of their products and services because of the appreciation of the land their businesses are occupying. They must compete too.

It would seem the State is in the same position with their excess lands as the banks are with their money. Both need people to manage it. The banks, thanks to competition and regulations, do not change their interest rates every five years on committed loans. The State should be forced by law to adopt the same policy and not be allowed to take advantage of their monopoly of State land, or the few dumb tenants they have trapped.

I think that six percent annual rental of the original appraised

value of the land for 55 years would be a fair rental which would enhance development. This would net the State over three hundred percent more income than could be derived from the sale of the lands, plus considerable savings in State administration and litigation costs, plus the return of the land to lease again or re-evaluation of the leases at their expiration, which would be acceptable to the citizens of the State, be they present or prospective leaseholders, or non-leaseholders who none-the-less derive benefits from the money collected.

Regardless of the formula used - whether it be a percentage of the reappraised value every five years, a comparison to private leases, the number of quills on a porcupine divided by pi, or the number of moose in the Mat-Su Valley times the square root, if the total monetary figure exceeds 300 percent of the appraised value of the land at the time of lease, it will not be a fair rental that will enhance development and be acceptable to future leases.

The problem as I see it, is not the few leasees who now hold State leases. They are insignificant. It is restoring the credibility of the State as a monopolistic landlord, and creating a workable policy of developing and utilizing a portion of Alaskas millions of acres of land, whether by leasing or selling. The people of this State cannot afford, and will not allow this, or any other administration, to lock up their 100 million acres of land in a non-productive policy. A percentage of it must be made productive to support the parks, animal habitats, scenic lands, wild rivers, and so forth.

Senator Stevens newsletter is attached, informing us of an amendment signed by President Ford with regard to Federal leasing in Alaska. The law will allow individuals to gain a right to and an interest in federal lands by actively working to develop and use the land productively. I intend to find out what their lease policy is.

Addressing the 30 day default clause of the lease; I, and other leaseholders have paid our lease rentals for about 20 years and have invested millions of dollars in improvements and have borrowed large sums from banks for development of our leases. Surely our credit has been established beyond thirty days! There are many justified occasions for not being able to meet this 30 day default clause in a 55 year lease. Death, mental or physical health difficulties, temporary memory loss, temporary or permanent financial ability, lack of communication, or the States unfair interpretation of the fair rental value, to name a few. I would recommend that the 30 day default be changed to the same rules the banks or the public comply with. Foreclosure through legal procedures, then sale of the lease and improvements with the balance of the money derived from such sales, minus state expenses, reverting to the leasee.

With regard to the adjustment of rents, the State method this time was an April 1 notice of future re-appraisal and a retroactive bill dated June 7th, that I owed \$15,403.00 by August 1st. This not only made it improbable that the leasee could comply, but also locked the State into a figure they will not easily recind. I think the State would be more justified if they gave six months notice and explained why, and the method used, to increase rentals, and accepted input,

and in general considered their leasees ability to comply. Many years ago I anticipated some difficulty in meeting my obligations to the bank, and consulted them on this. I was told not to worry, if necessary I could make interest payments only for a period of time, or make lesser payments over an extended period of time. Fortunately I did not have to do either. But I feel both the leaseholder and the State would benefit from a negotiation clause, similar in principal, written into each lease. The land policy of the State, if not changed or altered, has been and will be, more devastating to the State and its present leasees than the 1964 earthquake. High prices are caused by the scarcity of land, which is caused by the State.

In closing, I would like to state that I have been an Alaskan since 1941 with continual residence except for my years in service from 1943 to 1946. The last 20 years I've worked to improve this leased land and now have several substantial buildings, tho I owe the bank over \$400,000.00 in personal guaranteed loans. I've worked hard. I've provided for increases such as inflation and taxes, but who of us can afford 850 percent increases? We who have paid many times the original value, held it, and improved it, should be entitled to justice. It seems impossible that 20 years of work and investment can be wiped out with one stroke of a pen - in this country! Particularly so, when it does not appear beneficial to the State government, or her resident Alaskans.

Ask yourself if the present land rental is fair and will enhance development. If the answer is yes, I am quite sure all leases in Section 16 are available for a "steal". If the answer is no, will you help us change it?

Thank you.

Joe Wilhour  
Box 740  
Wasilla, Alaska 99687  
Phone 376-5601



# THE FIRST NATIONAL BANK OF ANCHORAGE

June 18, 1976

Mr. Joe Wilhour  
Anchorage, Alaska

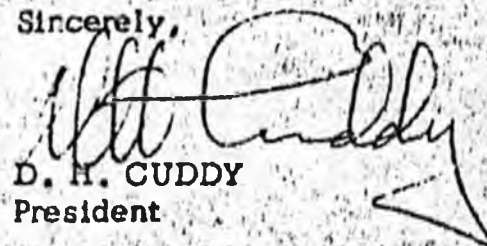
Dear Mr. Wilhour:

We have reviewed your informal request to consider financing a new building on Commercial Row, the loan to be secured by an assignment of the State land lease and the building placed on the lease.

At this time it is impossible for us to give you a commitment for construction until we can confirm what the future rental on the building will be. We have reviewed the other financing that we have done for you on your property and find that the quarterly rent has been raised from \$996.00 to \$8,200.00, an increase of 850%. A further review of the lease indicates that every five years it can be similarly raised.

Under these circumstances, it is impossible for us to guess what the future land rentals will be, and therefore, unless you are able to secure a lease of an equal term to the mortgage wherein the tenant agrees to pay the increased land rental, it will be impossible for us to advance the credit requested.

Sincerely,

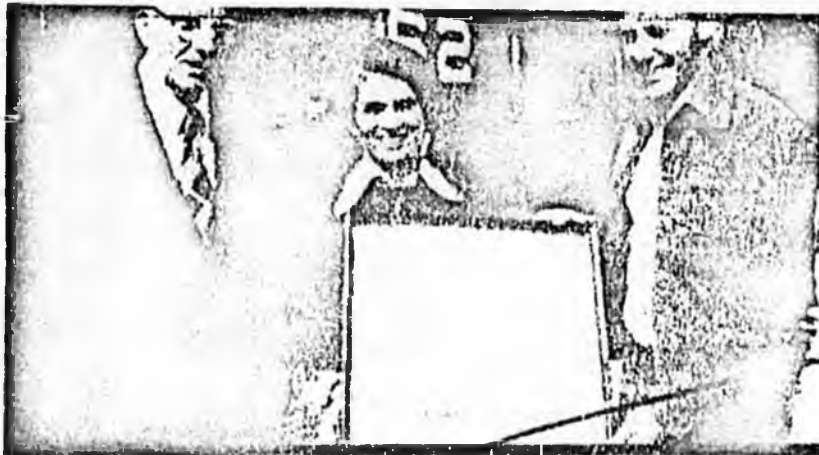
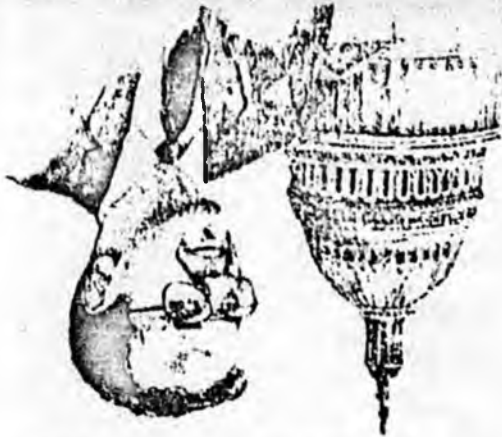


D. H. CUDDY  
President

DHC:mh

AGO 885645

411 Old Senate Office Building, Washington, D.C., 20510  
(202) 224-3004



SON  
Stevens  
News  
Letter

TIONAL PARK -- Claudia Louis, a member of the Washington, D.C. staff, presents the ceremonial pen used by President Ford to sign S. 98, the Klondike Park bill, into law to Mayor John Edwards (right) of Skagway and Ward A. Hisman (left), Superintendent of the White Pass & Yukon Route Railway.

## BLM Bill

President Ford has signed a bill which will allow Alaskans to continue to use public lands to build homes, farms, or trade or manufacturing concerns, under provisions added to the bill in the Senate by Senator Stevens.

The amendment allows the Secretary of the Interior to grant long-term leases for habitation, cultivation, trade or manufacturing on the lands.

The National Resource Lands Management Act, S. 507, also known as the BLM Organic Act, repeals homesteading in 10 years and this amendment was needed to enable individuals to continue to use and develop public lands, despite the repeal of homesteading laws.

The authority of the new law -- designed to provide for the management, protection and development of public domain lands not committed to other uses -- extends to the unreserved federal land in Alaska remaining after Alaska Native Claims Settlement Act and Statehood Act withdrawals are made.

It was pointed out that the passage of this law with this amendment will provide some type of incentive for people to come in and carve a livelihood out of the wilderness. The law will allow individuals to gain a right to and an interest in federal lands by actively working to develop and use the land productively.

The leases could be used to build new communities, farms, small sawmills and small manufacturing plants needed in isolated rural areas.

## Mid-Decade Census Law

A bill which could mean substantially increased federal funding for Alaska from programs based on population has been signed into law by President Ford.

The bill, cosponsored by Senator Stevens, authorizes a national census and July 1, 1975, Alaska's population increased by 16.3 percent. An official census every five years would allow this rapid change to be reflected in federal funding and programs.

The Office of Management and Budget estimates that about \$39 billion in federal funds are distributed every year to the states according to formulas based on population.

Wonder what plain lease policy is?

IN SUPPORT OF THE LEASEHOLDERS BILL

In support of the 6% annual rental rate, I would like to request you re-read the Hearing Panel Proposed Decision and Recommendations, page 12, ¶4, which quite clearly defines our position.

The total lease rental for the 55 year period proposed in our bill would amount to \$379,411.00. This is 5.78 times the 1975 appraised value, or 75.88 times the 1958 appraised value. Under SB#159, the total lease rental for the 55 yr. period would amount to over three million dollars. This is 45 times the 1975 appraised value, or approximately 600 times the 1958 appraised value.

In my opinion, our bill provides the maximum rental to be beneficial to all concerned; an excellent return to the State, a fair settlement to the existing State leaseholders, a fair opportunity for future leaseholders, as well as the maximum rental allowable to encourage development and bank financing. Whereas SB#159 is not beneficial to all concerned. It is a maximum return to the State from current leaseholders with existing improvements, from 10 to maybe 15 years when they will be forced to give up their leases, it is not a fair settlement to the existing leaseholders, it is not a fair opportunity to future leaseholders, it will not encourage development, and it is not acceptable to the banks for financing.

I would also suggest the elimination of the floating easement be added to SB#159, as recommended by the Hearing Panel on page 19, ¶5 of their report.

Joe Wilhour

ALASKA INDUSTRIAL SUBDIVISION LEASEHOLDERS ASSOCIATION

EFFECT OF ALASKA LEASEHOLDERS ASSOCIATION PROPOSED BILL ON MY PROPERTY LOCATED BLOCK 3, LOT 7A, ALASKA INDUSTRIAL SUBDIVISION. LOT SIZE APPROXIMATELY 64,000 S. FT. APPRAISED AT \$65,640.00 TO BE REAPPRAISED 1978.

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COST TO LEASEE</u>
1-25	0%	100%	\$ 65,640.00	\$ 19,700.	\$ 98,500.00
25-35	50%	150%	98,660.00	59,198.	157,696.00
35-45	50%	225%	147,990.00	88,794.	246,490.00
45-55	50%	337.5%	221,535.00	132,921.	379,411.00

1. Above is MAXIMUM
2. Rates are compounded
3. When lease finished, leasee will have paid 5.78 times value  
(379,411 ÷ 65,640)

The Honorable Senator Kay Poland  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99801  
MAIL STOP 3100

Dear Senator Poland:

We, asx State land leaseholders, are about to be faced with huge increases in rental rates of our leased property (Lot 5, Block 1, Kasilof Pioneer Subdivision., with two homes on it ). These new rates, if imposed, will force a severe hardship on us financially and may even force us to give up our lease.

Such rates substantially reduce the value of our improvements which we have worked long and hard at and spent substantial money on. We feel the present policies of the Division of Lands are not in our best interest, nor in the best interest of the State of Alaska.

we therefore urge you to support legislation currently on the floor which would:

1. Set a 25 year period of fixed rental, giving us time to finance and pay for our improvements.
2. Establish a six percent rate and a fifty percent ceiling on rent increases so we can compute what we will pay in rent over the 55 year period. Due to the present policies, it is almost impossible to finance improvements on our lease.
3. Provide for independent appraisal of our lease. Appraisal by our landlord, as is now done, is an obvious conflict of interest.
4. Provide a grandfather clause whereby we, as existing leaseholders, cantake advantage of a new lease.

Passage of a law with the above provisions is critical if we are to be able to continue leasing our land.

Thank you for your help.

Very truly yours

*Mr. & Mrs. L. B. Watts*

Mr. and Mrs. L. B. Watts

Alaska State Legislature

SENATOR  
KAY POLAND  
DISTRICT L  
P.O. BOX 45  
KODIAK, ALASKA 99615



Senate

KODIAK-ALEUTIAN  
DISTRICT

WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811

March 21, 1977

Mr. & Mrs. B. Watts  
Route 2, Box 713  
Kasilof, Alaska 99610

Dear Mr. & Mrs. Watts:

Thank you for writing me regarding the matter of state land leases. I introduced SB 159 this year, and I am enclosing a copy of this bill. I had worked with leaseholders in Anchorage and Mat Su Valley this summer and tried to come up with a bill that would be fair to leaseholders and the State of Alaska. I would be interested in your comments on SB 159. It has passed out of Senate Resources and is now in Senate Finance Committee.

Sincerely,

A handwritten signature in cursive script that reads "Kay Poland".

Kay Poland  
State Senator  
Kodiak-Aleutian District

KP:ss

114

LA21 0908 11.24 JA01 0009 11.24 02/22/77

TO: CINDY, JNU  
FROM: APRIL, FBX

PLEASE DELIVER THE FOLLOWING MESSAGE TO SENATORS BUTROVICH AND HUBER:

MESSAGE: JUST RECIEVED A COPY OF SB 159 RE: LEASING OF STATE LAND. TRUST LANDS ARE NOT SPECIFICALLY MENTIONED BUT MUST ASSUME THE BILL APPLIES TO THEM. THE STATE BOARD OF EDUCATION, AS THE TRUSTEE OF SCHOOL TRUST LANDS, HAS SOME CONCERNS ABOUT CURRENT LEASING POLICIES AND WOULD LIKE TO REACT TO ANY BILLS DEALING WITH LEASING OF STATE LANDS, ESPECIALLY THE SCHOOL TRUST LANDS. WE WILL COMMENT ON SB 159 IN THE NEAR FUTURE.

DARWIN HEINE  
VICE CHRMAN, STATE BD OF EDUCATION  
1506 DENALI WAY, FBX 99701  
PH: 456-5722

PLEASE ACK WHEN MESSAGE DELIVERED THANKS. /A/ EOM



# Alaska State Legislature

JUNEAU ALASKA

## MEMORANDUM

TO: All House Members May 9, 1977  
FROM: Senator Kay Poland *KP*  
SUBJECT: CSSB 159

Attached for your consideration is a short analysis of SB 159. Please note, especially, the difference in pay back amounts between CSSB 159 and proposed HCS CSSB 159 (Rules).

KP:ke

CSSB 159

1. In 1976 the Division of Lands raised rentals to what was considered an onerous level. This level is such that there is serious doubt of the practicability of continuing the present use of the land.
2. Because of the uncertainty occasioned by the actions of the Division of Lands, both commercial and residential development of the leases became "non-bankable" in terms of loans because of no feasible upper limit of rent could be determined.
3. The proposed bill corrects this situation by:
  - a. Extending the initial period to 25 years to provide stability in the development stage, and providing for three additional reappraisals instead of about eight.
  - b. allows the mortgagor to assume the payments in the event of a late payment or default by the lessee.
  - c. Protects the state's interest by increasing the percent of the rental fee to 10%. The original appraisal will have to be correctly done.
  - d. Results in a definable upper limit of the sum of the rental payments over the life of the lessee. This amount is 9 1/2 times the original appraisal. For example, for each \$1,000 of the original appraisal value, the lessee will pay \$9,500 in rent over a 55 year period. The HCS which changes the initial period to 15 years and the periodic difference to 100%, results in a payback of 31 1/2 times.

TO: Senator Croft

FR: Jamie Love

RE: SB 159

2/22/77

As promised, I am providing you with comments on SB 159, which would change the state's leasing policies with regard to the methods of determining annual rents. As you are surely aware, rental readjustments on state leased lands have become quite a controversial subject. This first manifested itself in highly publicized transactions such as the Teamster's Mall lease and the Penney lease near Merrill field. In both cases leaseholders had obtained choice properties at rents substantially below market prices. One key provision of both leases was the state's waiver of rental increases for a period of forty years.

In response to these and other transactions, the legislature amended Title 38 last year to restrict the discretion of the Department of Natural Resources to give such waivers, except on properties developed for residential purposes. Also enacted was legislation which established a formal trust for all school lands, and gave the State Board of Education independent authority over the Division of Lands to insure that leasing policies protected the interests of the School Trust Fund. The State Board of Education and its chairwoman, Katie Hurley, have taken their new responsibilities very seriously and have educated themselves about the land leasing business thoroughly.

At the same time the Teamster and Penney leases were being addressed, it became clear that the state's entire leasing program was in serious trouble. Not only were those two transactions providing less than adequate rents to the state, but the Division of Lands was discovered to have been routinely under-appraising its properties and using out-of-date percentages on its rental readjustments. In 1975, the Division of Lands was leasing lands for a readjusted rental figure of six percent of the appraised value of the land, while most leases in the private market had been using eight percent and higher for some time. When asked to account for the six percent figure, Division of Lands officials could not explain why it was being used. Most thought that six percent was called for either in the lease or the regulations, but it appeared neither there nor anywhere else. The combination of the six percent figure and the underappraisal for old and new leases alike resulted in returns vastly below market values.

Because the rents were so low, potential leaseholders were willing to pay substantial bonuses to take over leases from previous leaseholders. In one transaction, a party paid the

old leaseholder more than \$250,000. for an assignment of a 20 acre tract of school land near downtown Anchorage. Bonus payments of this type were not uncommon, since the ADL practice of collecting low rents was well established under the Kennan administration.

After the Hammond administration cancelled the Teamster lease, and renegotiated the Penney lease, it undertook an overhaul of rent readjustment practices. Lease properties were appraised at market value and rents were adjusted to eight percent of the appraised value of the land. At that point in time land values all over Alaska were skyrocketing. Properties in Kenai, Wassila and Anchorage were appreciating anywhere from 300%-1000% during the period 1971-1976. Consequently, the combination of raising rental rates from six to eight percent, which represented a 33% increase, and more realistic appraisals, which increased the basis on which the eight percent was applied, resulted in rental increases of 400%-1000% for some leaseholders.

Such a dramatic change in the lease rents brought cries of outrage from the leaseholders, who had analyzed the viability of the state's leasing program more in terms of its past history than in terms of the leases themselves. Despite the hardships and problems that the sudden increase in rents caused, ADL maintained that the division was without legal authority to offer relief since the higher rents were just the result of the ADL staff applying the actual terms of the leases and obeying state statutes.

Many of the problems cited by the leaseholders were valid. Thinking that the state would continue as it had in the past, many leaseholders found the investments they made in buying old leases effectively wiped out, since the bonus represented the discounted cash value of below market rents. Other leaseholders had not developed their properties to the extent necessary to pay the new rents in anticipation of further subsidies by the state. Leaseholders found that financial institutions were leery of bankrolling projects on state leased lands in light of the large increases, which the bankers perceived as an indication of instability in the management of the leasing program. This "hands off" policy by bankers made it doubly hard for leaseholders to develop their properties to higher uses which would support the new rents.

As a result of these developments, the leaseholders began petitioning the ADL and the legislature for some relief. For several months ADL did not deal with the problem, which only added to the outrage felt by the leaseholders. The angier they got, the more extreme their "reform" proposals became, including some suggestions for blanket level term rents for all existing leaseholders and other major changes in leaseholder's obligations.

In the fall of 1976, the Hammond administration responded to the growing crisis by appointing an Ad Hoc task force for land disposition practices. Appointed to this committee were various representatives from the business, banking and professional communities, a representative from the leaseholders, and a public interest representative (myself). Meeting weekly for five months, the Ad Hoc committee heard countless hours of testimony from the leaseholders, the ADL staff, professional appraisers and the public at large. At this time, the committee is nearing its goal of recommending to the legislature and the Division of Lands proposed changes in its leasing policies, with provisions for relief for existing leaseholders.

In doing its work, the Ad Hoc committee sought to:

- 1) recommend leasing terms as closely parallel to the private leasing market as possible;
- 2) determine if the state had a moral responsibility to negotiate new terms for old leaseholders; and
- 3) to protect the interests of the state's taxpayers.

On the first goal, the committee reviewed the terms of approximately fifteen private leases currently let in the Anchorage area. The committee analyzed not only the rent readjustment periods and percentages, but also looked at right of way and condemnation clauses, subordination and security assignment and many other elements of both private and state lease instruments.

In the process of its work, it became apparent to the committee that different types of land use dictated different lease terms. For example, where it is common for a commercial or industrial lease to provide for five year reappraisal periods, residential properties are often leased for flat terms. Also, recreational and agricultural properties seemed to call for different treatment than commercial/industrial properties. To deal with this problem, the committee recommends four different lease forms, one for each different use. Since the commercial/industrial leases seemed to present the most pressing problems, the committee addressed that area first, and has finalized a recommended leasing form.

The major changes which the committee recommends, insofar as your legislation is concerned, is the establishment of fixed rent readjustment percentages in the lease document, and limitations on rent increases. Looking at the first issue, the committee found that leases in the private market use the figure of eight percent for properties leased recently. But the leases

do not say eight percent today and whatever the going rate is in five years. In other words, although eight may be the market today, and ten could be the market tomorrow, the lease would still charge only eight percent for the entire term of the lease. This is an important difference from the state lease form, which allows the percentage to be varied at each reappraisal period. The committee could find no examples of leases in the private market which used the states system. Hence, the committee recommendation is for a fixed percent in the lease document itself.

Based upon the committee's analysis of actual lease documents in the private market, and in particular recent leases which may be more sophisticated, the committee recommends limitations on rent increases of 100 percent every five years. This, the committee felt, was the closest parallel to the terms of private market leases, and, in the opinion of the committee, provided enough certainty to allow for longterm financing on leasehold properties.

The committee also decided that the state did have a moral obligation to offer the existing leaseholders the opportunity to exchange existing leases for the new one. The committee felt this could be justified on the basis of the hardships created for leaseholders by the vague and outdated language of the old forms (unchanged since statehood), and by virtue of the benefits which would accrue to the state through renewed confidence in the state's leasing program.

To put it simply, the committee will recommend this: All current leaseholders will be give a period of time to swap their old leases for the new ones. As a condition of the exchange, the leaseholders would have their properties reappraised, except for leases which had been reappraised within the past two years. The percentage of the appraised value of the lease would be the percent which represented the market at the time the lease was entered into. For example, a lease entered into around 1965 might have the rent readjusted to six percent of the appraised value of the land, while a lease entered into in 1974 might use the eight percent figure. Whichever figure was used would then be written into the lease. As mentioned earlier, leases would have ceilings on prospective rent increases of no more than 100 percent every five years during the lease term.

A suggestion was made to go back to the original beginning of each lease and apply the limits forward to current rents, but this was rejected by the committee. First of all, there was no evidence that current appraised values would create unfair hardships, if the fixed percentages and ceilings were applied as explained above. Second, and more important, the committee found persuasive evidence that it would be grossly unfair to the state's taxpayers if the ceilings were applied retroactively.

The reason such a practice would be unfair is the state's historic failure to charge realistic rents on its lands, leasing decisions which placed land on the market before it had more than a nominal value, and mismanagement by previous administrations. For example, in 1974, the same month as the capitol move vote, ADL leased 2400 acres of land five miles from the proposed site of the new capitol, at rents established in a 1971 appraisal. The old appraisal had set the rents at \$6-\$14 per year, per acre. To retroactively apply rent ceilings would be tantamount to just giving away 2400 acres of University trust lands. This is only one of many examples of gross mismanagement by the state which has provided windfalls in the past. To retroactively apply the rent ceilings would be to indiscriminately give away legitimate state interests in thousands of acres of university, school and mental health trust lands.

SB 159 is similar to the Ad Hoc Committee's approach in many ways, but there are a few areas that should be examined. The bill establishes a figure of 8 per cent, as the maximum rate for readjusting rents. First of all, as previously stated, the terms of commercial and industrial leases might be substantially different than the terms of residential or agricultural leases. But more important, by using a figure which represents today's market of 8 per cent for most commercial leases, the act would lock the state into an inflexible system. 8 per cent may be alright today, but it might be considerably out of touch with market values in the future. Likewise, although 8 per cent may represent a market figure for Anchorage or Fairbanks, or other areas of long term sustained growth, the state might be better off using a figure of 10 to 14 per cent for leases in some area undergoing a short term boom. The higher rate might represent the market in an area that offers a short term economic life for the lease. Under the Committee's proposal, the rate would be fixed in the lease form itself, at the rate the market would bear at the time the lease was entered into.

The simplest approach would be to examine the recommendations of the Ad Hoc Committee, and if satisfactory, enact legislation which would permit ADL to offer an election to leaseholders, to enter into the new lease forms, similar to the mechanism established in Sec. 4 of SB 159, except providing that all appraisals should be current within two years, and in the absence of a current appraisal, the election could be made at the next reappraisal period.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 159  
Title Leasing of State land other than for extraction of Natural resources  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Natural Resources  
Program Category Affected NRMEC  
Budget Request Unit(s) Affected Land and Water Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

There would be no change in cost of administration due to this bill.

Revenues would be reduced substantially, especially trust fund revenues (see attached).

IV. DATE February 23, 1977 PREPARED BY Ted Smith  
AGENCY Land and Water Management  
PHONE 279-5577  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named) all - Gay M. ...

LEASE METHOD COMPARISONS

	LEASE (1)	LEASE (2)	LEASE (3)	LEASE (4)
Rent Per Present Law and State Appraisal	(a) \$5,691	\$5,232	\$1,300	\$1,650
Rent Per Lessess Appraisal	(b) \$4,552	\$4,160	N/A	N/A
Rent Per Ad Hoc Committee	a or b	a or b	\$1,300	\$1,650
Rent Per S.B. 159	\$ 930	\$ 800	\$ 120	\$ 270
Lease Commencement	1961	1961	1969	1969
Lease Term	55 yrs.	55 yrs.	55 yrs.	55 yrs.
Location	Anchorage	Anchorage	Susitna Valley	Susitna Valley
Size	14,782 S.F.	18,012 S.F.	40 Ac.	80 Ac.

LEASE NO. 1

Term	(a) Rent By S.B. 159	(b) Economic Rent Per Lessee's Appraisal	(c) Rent Savings (Per Period)	(d) Economic Rent Per State's Appraisal	(e) Rent Savings (Per Period)
76-81	\$ 930	\$4,552	\$18,110	\$5,691	\$23,805
81-86	930	4,552	18,110	5,691	23,805
86-91	1,395	4,552	15,785	5,691	21,480
91-96	2,092	4,552	12,300	5,691	17,995
96-2001	3,138	4,552	7,070	5,691	12,765

Assume: (1) Land value does not rise beyond present value  
 (2) Economic lease rate does not rise

Column:

- (a) Annual rent for each year under S.B. 159
- (b) Present economic rent as determined by lessees appraisers
- (c) Period rent savings under S.B. 159 (difference between column (a) and column (b)).
- (d) Present economic rent as determined by states appraiser
- (e) Period rent savings under S.B. 159 (difference between column (a) and column (d))

LEASE NO. 3

Term	(a) Rent By S.B. 159	(b) Economic Rent Per State's Appraisal	(c) Rent Savings (Per Period)
76-81	\$120	\$1,300	\$5,900
81-86	120	1,300	5,900
86-91	180	1,300	5,600
91-96	270	1,300	5,150
96-2001	405	1,300	4,475
2001-2006	607	1,300	3,465
2006-2011	911	1,300	1,945

Assume:

- (1) Land value does not rise beyond present value
- (2) Economic lease rate does not rise

Column:

- (a) Annual rent for each year under S.B. 159
- (b) Present economic rent as determined by states appraisal
- (c) Period rent savings under S.B. 159

1) Assume property is initial value  
@ \$1000

@ 8% rent for 1st 10 yrs =  $\$80/\text{yr}$  or  $\$800/10\text{yr}$

2) Assume the property has increased in  
value to \$1500

then @ 8% rent for next 5 yrs =  $120/\text{yr}$  or  $600/5$

~~Could go to~~ which is the maximum  
under this bill -

I.e.:

Bill assumes 50% increase in value each 5 yrs -



INDUSTRIAL SUBDIVISION AUCTION SCHEDULED

The Division of Lands has set May 2, 1961 as the date for the public auction at which 72 lots in the Alaska Industrial Subdivision and the First Addition thereto will be put up for lease. The auction will take place at 1:30 p.m. at the office of the Division of Lands, 344 Sixth Avenue, Anchorage.

The property lies within the city limits of Anchorage, in the Merrill Field area, and is subject to applicable city ordinances and zoning restrictions. Specifically, the area is located between Third and Fifth Avenues, in Section 16 (school section), T13N, R3W, SM.

The State's appraisal of the fair market value of each lot will serve as the minimum acceptable bid for the annual rental on the same, and no bids will be accepted for less. The lots range in size from 11,652 sq. ft. to 77,683 sq. ft.; minimum annual rentals range from \$174 to \$1080. Leases on all lots, save 12, will be for 55 years; the 12 excepted are for a period not in excess of 10 years and shall be subject to a 90-day revokable clause.

The successful bidder shall deposit at the time of the award the sum of not less than 25% of the high bid, plus \$20.00 to cover appraisal and advertising costs, in cash, and/or certified check, and/or cashier's check, and/or money order, or combination thereof.

Detailed information and plats covering the area are available at the Division office.

*Here*  
*Lang 100*  
*Rand*

*Lessee Pays Taxes*

*RA track*  
*NE 1/4*

SURVEY CONTRACT LET

A contract was entered into with F. H. Lindsey of Anchorage to survey the proposed Cheri Lake Subdivision, which lies in Section 36, T18N, R3W, SM.



*NE 1/4*

\*\*\*

DISPOSAL OF TWO ANCHORAGE TRACTS CONSIDERED

*airport*



Two tracts in the Anchorage area are presently under consideration for disposal by the Division. One 12 acre portion lies facing Turnagain Arm approximately four miles west of Seward Highway on Sand Lake Road, in Section 16, T12N, R4W, SM. The second is a 100 acre tract in Section 36, T13N, R4W, SM, and is legally described as the E 1/2 NE 1/4, the SW 1/2 NE 1/4, the SE 1/2 NE 1/4 and that portion of the SW 1/2 NE 1/4 lying along the north side of International Airport road, east of the Alaska Railroad right-of-way. Anyone interested in developing these tracts, or who would like to comment on their disposal, or offer suggestions, should contact the Division. Further information will be furnished upon request.

\*\*\*

FIRST COMPETITIVE TIDELAND LEASE LET

Mr. Donald King of Ketchikan was the successful bidder in the State's first competitive tideland lease sale. A 1.2 acre tract several miles out side of Ketchikan went for \$150.00 minimum annual rental.

AGO 885.61

\*\*\*

NOTICE: The Delta Junction maps mentioned on the front page of last month's issue of the Land Lines are being revised and will not be available for purchase until further notice.

\*\*\*

*Riphe*

DL-37  
Revised July, 1960

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF LANDS  
344 Sixth Avenue  
Anchorage, Alaska

*Approved with amendments July 1960*

Lease No. ADL 03066

LEASE AGREEMENT

THIS INDENTURE made and entered into this 2nd day of May 19 61, by and between the STATE OF ALASKA, through the Director of the Division of Lands, with the consent and approval of the Commissioner of the Department of Natural Resources, acting for and on its behalf under and pursuant to Chapter 169, SLA 1959, as amended, and the regulations promulgated thereunder, as amended or hereafter amended, hereinafter referred to as the LESSOR; and James E. Rigsbee, Jr. of 2005 - 20th Avenue, Anchorage, Alaska. hereinafter referred to as the LESSEE:

WITNESSETH, that whereas the Lessor has classified the lands herein demised as: Commercial - Industrial lands on April 24, 19 61, pursuant to Chapter 169, SLA 1959, as amended; and

WHEREAS, the Lessor has caused the lands herein demised to be appraised and such appraisal was made and approved on or after February 23, 1961; and

WHEREAS, the Lessor has caused a notice of intent to lease the lands herein demised to be published as required by law or caused notices of intent to lease to be posted as required by law; and

WHEREAS, an auction of the within demised property was held at the time and place designated by notice and said sale was approved by the Director of the Division of Lands, Department of Natural Resources, State of Alaska:

NOW THEREFOR, the Lessor has agreed to let and does hereby let and demise to the Lessee, and the Lessee has agreed to take and does hereby take from the Lessor all that lot, piece, or parcel of land more particularly bounded and described, as follows: Lots One (1), and Two (2), Block Ten (10), First Addition to the Alaska Industrial Sub-division, within the Northeast Quarter of Section Sixteen, Township Thirteen North, Range Three West, Seward Meridian, containing 0.61 acres, more or less, according to the official plat thereof, on file and of record with the Recorder of Deeds, Anchorage Recording Precinct, Anchorage, Alaska.

TO HAVE AND TO HOLD the said demised premises for a term of fifty-five (55) years commencing on the 2nd day of May, 19 61 and ending at 12 o'clock midnight on the 1st day of May, 2016, unless sooner terminated as hereinafter provided.

The Lessee shall pay to the Lessor rental as follows: Equal quarterly payments, in advance, on or before the 2nd day of August, November, February and May of every year during said term at the rate of Two Hundred and Fifty-five and NO/100----- Dollars (\$ 255.00-----) per quarter

IN TREES, BRUSH  
MUSKIEE

such payments to be subject to adjustment at each five year interval from the effective date hereof, if the lease term hereof exceeds five years, such adjustment to be based primarily upon a reappraised annual rental value of land in a state of improvement similar to that of the land described herein at the time this lease was entered into.

It is hereby mutually covenanted and agreed that this indenture is made upon the foregoing, and upon the following agreements, conditions, covenants, and terms, VIZ:

1. The word "Lessor" as and wherever used in the lease, shall be construed to include, and shall include, bind and inure to the benefit of, the State of Alaska, its successor and assigns, at any time during the term of this lease or any renewal thereof; and the word "Lessee" as and wherever used in this lease shall be construed to include and shall include and bind and inure to the benefit of the Lessee, his successors and assigns.

2. It shall be the responsibility of the Lessee to properly locate himself and his improvements within the confines of the property leased herein.

3. The Lessor, Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

Provided, however, no rights shall be exercised by Alaska, its lessees, successors or assigns, until provision has been made by Alaska, its lessees, successors or assigns, to pay to the owner of the land, upon which the rights herein reserved to Alaska, its lessees, successors, or assigns are sought to be exercised, full payment for all damages sustained by said owner, by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Alaska, its lessees, successors or assigns or any applicant for a lease or contract from Alaska for the purpose of prospecting for valuable minerals, or option contract or lease for mining coal or lease for extracting petroleum or natural gas, shall have the right, after posting a surety bond with the Director in a company qualified to do business in Alaska or in a form as determined by the Director, after due notice and opportunity to

7

be heard, to be sufficient in amount and security to secure the said owner full payment for all such damages, to enter upon the land in the exercise of said reserved rights, and shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated, as may be necessary to determine the damages which the surface lessee of such lands may suffer.

4. The lands leased herein have been classified as shown on page 1 of this agreement and in accordance with the Classification Regulations, Title 11, Division 1, Chapter 1, Subchapter 1, and any use thereof which shall be in material conflict with said classification shall, if not remedied after due notice thereof has been served on the Lessee, constitute a breach of this lease and the Lessor may thereupon terminate same in accordance with provisions herein contained. The Lessor does not warrant that by such classification the land is ideally suited for the use authorized thereunder and the Lessor gives no guaranty, actual or implied, that the utilization under said classification will be profitable.

5. All coal, oil, gas and other minerals and all deposits of stone or gravel valuable for extraction and utilization and all materials subject to Title 11, Division 1, Chapters Four (4), Five (5), and Six (6), Alaska Administrative Code, as amended or as shall hereafter be amended are excepted from the operation of this lease. Viz: The Lessee shall not sell or remove for use elsewhere any timber, stone, gravel, peatmoss, or any other material valuable for building or commercial purposes; provided, however, that material required in the enjoyment of this lease may be used after a written permit therefor has been obtained from the Lessor.

6. The Lessor expressly reserves the right to grant easements or rights-of-way across the land herein leased. It is determined to be in the best interests of the State to do so; provided, however, that the Lessee shall be entitled to compensation for all improvements or crops which are damaged or destroyed as a direct result of such easement or right-of-way.

7. The Lessee shall not commit waste or injury upon the lands leased herein. Any violation of this agreement shall not only subject the offender to civil liability, but upon conviction thereof he may be fined in any sum not exceeding \$1000.00.

8. If the lands leased herein are classified and leased as grazing or agricultural lands the Lessee shall not prevent or deny the lawful pursuit or the hunting of game or the taking of fish; provided, however, the Director, upon request in writing, may allow the lands leased herein, or portions thereof, to be posted to prohibit hunting and fishing when it appears necessary in order to properly protect the Lessee and his property.

9. Should the lands herein leased lie within the jurisdiction of any authorized building or zoning authority they shall be utilized in accordance with the rules and regulations promulgated by said authority.

10. The Lessee shall take all reasonable precaution to prevent, and take all reasonable action to suppress grass, brush and forest fires on the land herein leased.

11. The Lessee shall allow the Lessor, through its duly authorized representative, to enter upon the leased premises, at any reasonable time, for the purpose of an inspection thereof.

AGO 885668

12. When the Lessee shall use the lands leased herein to construct any form of hydraulic project or employ any equipment or engage in any activity which will use, divert, obstruct, pollute or change the natural flow or bed of any river, lake or stream or that will utilize any of the waters of the State or materials from any river, lake or stream beds, the Lessee shall, prior to the commencement of any such operations, procure the approval of the Commissioner of the Department of Fish and Game and the original or an image copy thereof shall be filed with the Lessor prior to the commencement of such activity.

13. The Lessee may assign the lands, or portion thereof, herein demised, provided, he first makes application to the Lessor for a permit and the Lessor, in his discretion, may issue such permit if he finds it to be in the best interest of Alaska. Upon an assignment being granted, the assignee thereunder shall become subject to and be governed by the provisions of this lease in the same manner as though he were the original Lessee.

14. This lease may not be modified orally or in any manner other than by an agreement in writing signed by all parties hereto or their respective successors in interest.

15. This lease may be cancelled, in whole or in part, under one or more of the following conditions:

A. While in good standing by the mutual agreement in writing of the respective parties hereto.

B. If issued in error with respect to material facts.

C. If the leased premises are being used for an unlawful purpose.

16. If the Lessee should default in the performance of any of the terms, covenants or stipulations herein contained or of the regulations promulgated pursuant to Chapter 169, SLA 1959, as amended, and said default shall not be remedied within 30 days after written notice of such default has been served upon the Lessee by the Lessor, the Lessee shall be subjected to such legal action as the Lessor shall deem appropriate, including but not limited to, the forfeiture of this lease. No improvements may be removed by the Lessee during any period in which this lease is in default. In the event that this lease shall be terminated because of a breach of any of the terms, covenants, or stipulations contained herein the annual rental payment last made by the Lessee shall be retained by the Lessor as liquidated damages.

17. Any notice or demand which must be given or made by the parties hereto shall be in writing, and shall be complete by sending such notice or demand by United States registered or certified mail to the address shown on the lease or to such other address as the parties shall designate in writing from time to time. A copy of such notice shall be forwarded by the Lessor to any lienholder who has properly recorded his interest in the lease with the Lessor.

18. In the event that this lease is terminated as herein provided, by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by the Lessee during the term of this lease, the Lessor may immediately, or at any time thereafter, enter or re-enter and take possession of said lands, or any part thereof, and without liability for any damage therefor, remove all

persons and property therefrom either by summary proceedings or by a suit or proceeding at law; provided, however, that the words "entry" and "re-entry" as used herein, are not restricted to their technical legal meaning. Any entry or re-entry, possession, repossession, dispossession, and/or dispossession by the Lessor, or his or taken by summary proceedings, or otherwise, shall not be deemed to resolve, believe, release or discharge the Lessee, either in whole or in part, from any liability hereunder.

19. Upon the expiration, termination or cancellation of this lease, unless the same has been renewed, the Lessee shall quietly and peaceably leave, surrender and yield up unto the Lessor all of the leased land on the last day of the term of the lease.

20. The receipt of rent by the Lessor, with or without knowledge of any breach of the lease by the Lessee or of any default on the part of the Lessee in observance or performance of any of the conditions or covenants of this lease, shall not be deemed to be a waiver of any provision of this lease. No failure on the part of the Lessor to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by the Lessor, unless in writing, shall discharge or invalidate such terms or covenants or affect the right of the Lessor to enforce the same in the event of any subsequent breach or default. The receipt by the Lessor of rent or any other sum of money or the termination, in any manner, of the term thereof, or after giving by the Lessor of any notice hereunder to affect such termination, shall not reinstate, continue, or extend the resultant term herein demised, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by the Lessor to the Lessee prior to the receipt of any such sum of money or other consideration, unless expressed in writing and signed by the Lessor.

21. The Lessee, after written request therefor has been filed with the Lessor and prior to the commencement of such work, may receive credit toward current or future rentals, provided the contemplated work, to be accomplished on or off the area leased herein, in the discretion of the Lessor, shall result in increased valuation to other State owned lands. The Lessor's authorization to proceed with the work for rental credit, if granted, shall stipulate the type and extent of improvements, standards of construction to be followed and the maximum allowable rental credit therefor; provided further that no rental credit shall be made to the Lessee until the work has been completed and the Lessor has accepted of same in accordance with the provisions of said authorization.

22. If, upon the expiration of this lease, the Lessee desires a renewal lease on the lands, properties or interests covered herein, he shall within 30 days before the expiration of this lease, make application to the Lessor on Form DL-74 entitled "Application for Renewal of Lease," in which he must certify under oath as to the character and value of all the improvements existing upon the land, the purpose for which he desires a renewal and such other information as the Director of the Division of Lands may require. Along with the application the applicant shall deposit a sum equal to 50% of the current annual rental, as provided herein, but in no event to exceed the sum of \$50.00. The Lessor may thereupon lease said lands in compliance with the provisions herein enumerated, Chapter 169, S.A. 1959, as amended, and the rules and regulations promulgated thereunder, allowing a preference right to the Lessee herein.

23. The Lessee hereunder shall, upon the expiration of this lease or the prior termination thereof by mutual agreement, be allowed a preference right to re-lease the lands leased herein if all other pertinent factors are substantially equivalent. If the renewal lease does not require public auction the preference rightholder shall exercise his right within 30 days before the expiration of this lease by written notice directed

to the Lessor and failure to do so shall result in forfeiture and cancellation of such preference right. In the event that the lease is subject to and is offered at public auction the preference rightholder shall, at the close of bidding, indicate his desire to exercise his preference right and meet the highest bid. In the event the preference right holder does not elect to exercise his right and fails to do so at this time his preference right shall be forfeited and forever lost.

24. Improvements owned by a Lessee on Alaska lands shall within 60 days after the termination of the lease be removed by him; provided, such removal will not cause injury or damage to the lands; and further provided, that the Lessor may extend the time for removing such improvements in cases where hardship is proven. The retiring Lessee or permittee may, with the consent of the Lessor, sell his improvements to the succeeding lessee or permittee.

If any improvements and/or chattels having an appraised value in excess of \$10,000.00 as determined by the Lessor are not removed within the time allowed, such improvements and/or chattels shall upon due notice to the Lessee, be sold at public sale under the direction of the Lessor. The proceeds of sale shall inure to the Lessee who placed such improvements and/or chattels on the lands after paying to Alaska all rents due and owing and expenses incurred in making such sale. In case there are no other bidders at any such sales, the Lessor is authorized to bid, in the name of Alaska, on such improvements and/or chattels. The bid money shall be taken from the fund to which said lands belong and the said fund shall receive all monies or other value subsequently derived from the sale or leasing of such improvements and/or chattels. Alaska shall acquire all the rights, both legal and equitable, that any other purchaser could acquire by reason of said purchase.

If any improvements and/or chattels having an appraised value of \$10,000.00 or less, as determined by the Lessor, are not removed within the time allowed, such improvements and/or chattels shall revert to and absolute title shall vest in Alaska.

25. If any clause, or provision, herein contained, shall be adjudged to be invalid, it shall not affect the validity of any other clause or provision, of this lease or constitute any cause of action in favor of either party as against the other.


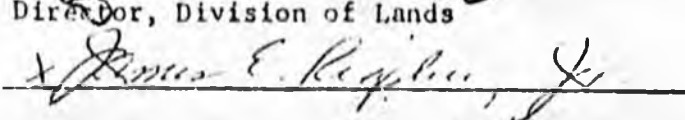
It is agreed that the covenants, terms and agreements herein contained shall be binding upon the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the State of Alaska, Lessor, acting through the Director of the Division of Lands of the Department of Natural Resources, lawfully authorized thereunto, has caused these presents to be executed at Anchorage, Alaska, in duplicate and the said Lessee has hereunto set his hand, agreeing to keep, observe and perform the rules and regulations promulgated under Chapter 169, SLA 1959, as amended, the terms, conditions and provisions herein contained, on the Lessee's part to be kept, observed and performed; and executed said instrument, in duplicate on the 15th day of

May, 19 61.

APPROVED:

\_\_\_\_\_  
COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES  
STATE OF ALASKA

  
\_\_\_\_\_  
Director, Division of Lands  
  
\_\_\_\_\_

THIS IS TO CERTIFY that on the 23rd day of June, 1961, before me, the undersigned Notary Public, personally appeared W. S. [unclear] known to me and known by me to be the Director of the Division of Lands of the Department of Natural Resources, and acknowledged to me that he executed the foregoing lease for and on behalf of said State, freely and voluntarily and for the use and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Sharon E. Barten  
Notary Public in and for the State of Alaska  
My commission expires March 27, 1965

THIS IS TO CERTIFY that on this 23rd day of June, 1961, before me, the undersigned, a Notary Public in and for Alaska duly commissioned and sworn, personally appeared James E. [unclear] to me personally known to be one of the persons described in and who executed the within instrument and the said James E. [unclear] acknowledged to me that he signed and executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Sharon E. Barten  
Notary Public in and for the State of Alaska  
My commission expires March 27, 1965

Approved as to Form:

Ralph E. Moody  
Attorney General

By George H. [unclear]  
Title Assistant Attorney General

Sum. by Poland

RENT ADJUSTMENTS FOR  
STATE LEASED LANDS

1975

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per cent Increase (Decrease)</u>
01227	112.50	1,575.00	1,300
51107	110.00	1,100.00	900
02534	608.50	25,500.00	4,090
01302	75.00	248.00	230
25068	100.00	380.00	280
38895	180.00	1,404.00	680
25305	1,425.00	2,886.00	103
52370	6,075.00	13,032.00	115
00273	6,780.00	14,400.00	112
52167	970.00	9,600.00	890
52209	195.00	2,040.00	946
52168	830.00	8,500.00	924
50738	1,400.00	5,280.00	277
44569	175.00	350.00	100
49723	150.00	605.00	303
41417	225.00	670.00	198
50598	50.00	630.00	1,160
00775	1,000.00	24,960.00	2,396
17103	1,000.00	18,800.00	1,780
51238	145.00	1,680.00	1,059
51515	160.00	1,680.00	950
51621	180.00	1,410.00	683
51428	220.00	1,770.00	704
50938	190.00	1,940.00	921
51065	210.00	1,700.00	709
46473	60.00	260.00	333
46474	60.00	260.00	333
52177	150.00	180.00	20
52182	250.00	285.00	14
21477	45.00	265.00	489
52185	300.00	320.00	7
51147	40.00	170.00	325
52422	40.00	170.00	325
52421	40.00	170.00	325
52187	75.00	175.00	133
52186	75.00	175.00	133
52190	40.00	100.00	150
52191	100.00	680.00	580
52714	40.00	165.00	312
52208	80.00	100.00	25

RENT ADJUSTMENTS FOR  
State Leased Lands, 1975

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase (Decrease)</u>
52205	50.00	220.00	340
52194	150.00	100.00	(50)
52192	250.00	235.00	(6)
50172	155.00	755.00	387
50688	75.00	175.00	133
52199	55.00	135.00	145
26653	235.00	470.00	100
26654	235.00	470.00	100
52179	235.00	470.00	100
52180	260.00	545.00	110
52170	325.00	575.00	77
52365	125.00	245.00	96
52430	125.00	245.00	96
52213	315.00	325.00	3
52171	150.00	295.00	97
52172	150.00	295.00	97
52213	315.00	295.00	(7)
52174	160.00	325.00	103
50587	150.00	385.00	157
50588	145.00	325.00	124
52703	40.00	100.00	150
45008	65.00	2,400.00	3,592
40014	220.00	2,430.00	1,005
45586	80.00	150.00	88
45585	460.00	675.00	47
26511	1,000.00	5,525.00	452
46628	140.00	1,080.00	1,100
46620	160.00	1,620.00	912
46383	110.00	600.00	445
49755	125.00	390.00	212
25956	125.00	390.00	212
47414	150.00	834.00	456
49060	250.00	702.00	181
22348	260.00	390.00	50
24099	215.00	420.00	95
36015	180.00	250.00	39
21928	1,260.00	10,920.00	767
01380	1,190.00	3,552.00	198
51395	820.00	3,054.00	272
00889	2,600.00	5,976.00	130
01308	7,170.00	10,014.00	40
49685	145.00	1,260.00	769
49795	175.00	1,500.00	757
25988	240.00	275.00	15
26269	165.00	190.00	15

RENT ADJUSTMENTS FOR  
STATE LEASED LANDS  
1976

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase (Decrease)</u>
71326		3,500.00	
22526	360.00	2,150.00	497
22525	175.00	3,360.00	1,820
22654	95.00	1,192.00	1,155
50603	85.00	840.00	888
22652	155.00	4,350.00	2,706
44351	100.00	438.00	338
44350	80.00	744.00	830
46483	110.00	750.00	582
02380	880.00	6,540.00	643
39877	1,000.00	2,280.00	128
30489	240.00	2,350.00	879
26632	1,835.00	6,900.00	276
32919	1,020.00	2,760.00	171
31328	120.00	840.00	600
54326	175.00	910.00	420
54331	165.00	910.00	452
54365	205.00	950.00	363
54332	225.00	950.00	322
40806	355.00	690.00	94
54345	200.00	550.00	175
54346	175.00	550.00	214
54347	210.00	550.00	162
54349	190.00	575.00	203
54333	260.00	665.00	156
54334	250.00	690.00	176
54335	105.00	605.00	476
54336	120.00	605.00	404
54337	110.00	625.00	468
54338	145.00	690.00	376
54339	210.00	690.00	228
54340	200.00	690.00	245
54341	280.00	690.00	146
54342	270.00	690.00	156
32128	115.00	690.00	500
32065	115.00	665.00	478
54344	160.00	635.00	297
54351	430.00	870.00	102
03045	3,985.00	32,800.00	723
03042	2,925.00	22,360.00	664

Rent Adjustments for  
State Leased Lands, 1976

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase</u>
03050	990.00	7,400.00	647
53595	1,775.00	11,760.00	562
03041	1,340.00	9,360.00	598
03049	700.00	6,160.00	780
51395	820.00	6,160.00	651
03040	820.00	6,160.00	651
03059	820.00	6,160.00	651
03070	950.00	7,000.00	637
47382	680.00	5,000.00	635
03058	1,010.00	6,680.00	561
03067	700.00	5,160.00	637
03044	8,495.00	75,440.00	788
47378	1,720.00	14,400.00	737
47598	3,260.00	27,360.00	739
03051	1,410.00	13,680.00	870
03062	1,635.00	13,680.00	737
03071	1,410.00	13,680.00	870
03069	800.00	6,000.00	650
03066	1,745.00	11,600.00	565
03063	945.00	6,600.00	598
03048	945.00	6,600.00	598
03068	945.00	6,600.00	598
03073	945.00	6,600.00	598
03039	1,425.00	10,280.00	621
03052	2,490.00	18,400.00	639
03102	3,955.00	28,640.00	624
03064	1,305.00	9,120.00	599
03104	930.00	6,520.00	601
49686	1,835.00	13,240.00	622
57237	1,835.00	13,240.00	622
03065	3,670.00	26,480.00	622
03057	3,665.00	27,040.00	638
03053	890.00	6,640.00	646
30746	915.00	6,880.00	652
03043	910.00	6,680.00	634
47983	135.00	1,300.00	863
49430	175.00	1,400.00	700
47809	175.00	1,450.00	728
49172	120.00	1,300.00	983
46499	270.00	1,650.00	511
53444	140.00	1,200.00	757

Rent Adjustments for  
State Leased Lands, 1976

<u>ADL No.</u>	<u>Old Rental</u>	<u>New Rental</u>	<u>Per Cent Increase (Decrease)</u>
27894	135.00	155.00	15
27948	200.00	230.00	15
50816	40.00	180.00	350
50669	40.00	120.00	200
47776	42.00	100.00	138
36315	40.00	100.00	150
47777	40.00	100.00	150
47778	40.00	100.00	150
35199	40.00	100.00	150
47775	42.00	100.00	138
41843	40.00	100.00	150
46609	72.00	100.00	39
47151	90.00	100.00	11
00037	700.00	5,250.00	650

## MEMORANDUM

State of Alaska

TO: The Honorable Guy F. Martin  
Commissioner  
Department of Natural Resources

DATE: June 4, 1976

FILE NO:

TELEPHONE NO:

FROM: AVRUM H. GROSS  
ATTORNEY GENERAL

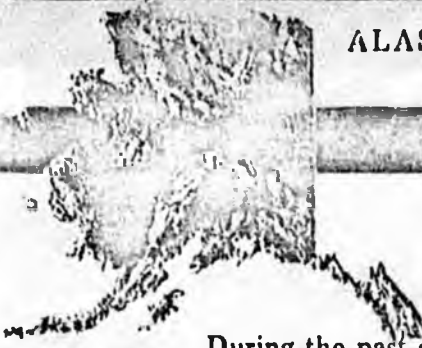
SUBJECT: Waiver of reappraisal and  
adjustment of rent

BY: Rodger W. Pegues  
Assistant Attorney General

This is further to the opinion of June 1, 1976,  
by Assistant Attorney General Reeves on this subject.  
In that opinion, we advised that you were without authority  
under then existing law to grant a blanket waiver of all  
rental increases exceeding 100 percent which was requested  
by the Alaska Land & Lease Owner's Association. Since that  
opinion was written, new legislation was adopted which further  
restricts your authority to grant a waiver. FCCS SCSHB 139.

AS 38.05.105 has been amended to delete the  
language authorizing a waiver or extension of reappraisal  
"when development of the land is not otherwise possible due  
to special conditions" and to provide for an extension or  
waiver "only if residential development actually occurs,  
and only if it is necessary for obtaining primary long-term  
financing." As a result of the amendment, the Director of  
the Division of Lands may now grant a waiver or lengthen

AGO 885678



## ALASKA LAND & LEASE OWNERS ASSOCIATION

### The Chairperson's Report Number 3 To The Members

During the past several months, the Alaska Division of Lands has reappraised a number of leases. In many cases the lease fees have been set at such ridiculously high rates, that many Alaskans will have to give up their leases and, in some instances, sacrifice substantial investments that have been made in improvements. For example, some of the leased property reappraised in 1975 has had the lease payments increased over one thousand percent (Yes, 1,000 %). We, of course, have no way of knowing what future increases other leasees may face, when additional leases reach the five year mark. Sufficient to say, only a few Alaska State leases have incorporated a clause limiting the increase in lease payments every five years.

Because of this situation, and other inequities, which effect investments in land purchased or leased from the State of Alaska, the A.L.A.L.O.A. was formed to present the case of all Alaska land and lease owners to the Alaska Division of Lands, the Commissioner of Natural Resources, the Governor and the Legislature.

Our specific goals are to:

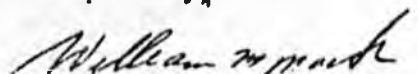
1. Obtain from the Division of Lands, a moratorium and subsequent reduction in payments on those leaseholdings which have been reappraised and now require increased payments far beyond the fair value of the lease.
2. Establish a vehicle whereby the Alaska Land & Lease Owners Association is able to assist the State of Alaska in obtaining better use of State of Alaska lands for all Alaskans.
3. Encourage distribution of Alaska State Lands thru a planned program of sale and lease of additional parcels of land, to both present and future Alaskans.
4. Bring about more equitable formulas for taxation of Alaska fee lands and leaseholds.
5. Encourage the multiple use of Alaska land.

We are pleased to report that some progress has been made toward our first goal, the reevaluation of leasehold land programs and that our fourth goal, equitable formulas for taxation of Alaska fee lands and leaseholds has met with limited success.

No matter what, we do need your continued support if we are to form chapters in other parts of Alaska and if we are to continue these programs. We urge you to make every effort to seek new members, who will join their voice to ours in helping to make Alaska a fine home for all of us to enjoy.

Ask one friend today. If you have not already done so, fill out the attached membership form, enclose your check for \$25.00 and pass to our treasurer. Please join now.

Respectfully,

  
William M. Mack, Chairperson

WMM:ih

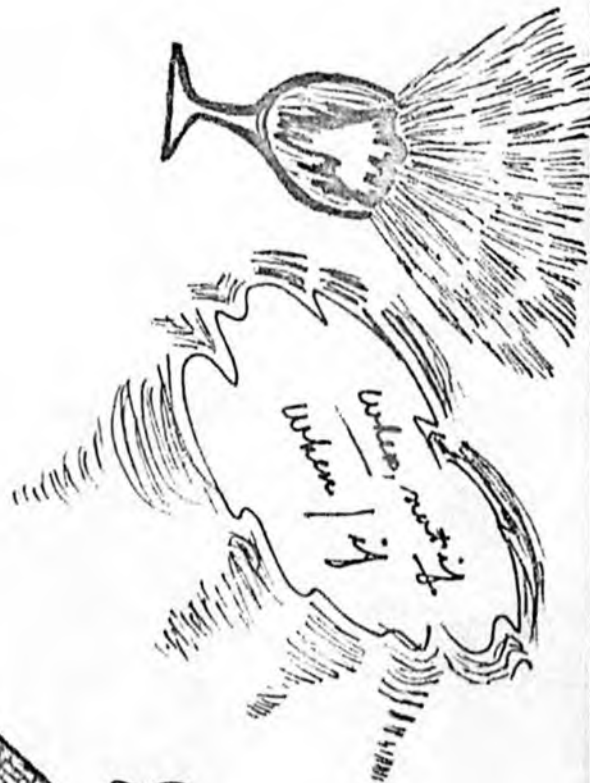
formula for re-appraisal appears to be the problem.

George Atkinson  
owner Alaska Industrial Park  
3800 per year raised to \$45,000  
Agricultural leases 5 years  
re-appraisal to stand for life of lease  
has recreational leases  
recreational lands  
utility lands

state should stop selling lands  
they ~~had~~ haven't received title to  
from the feds.

defeating  
frustrated  
education  
attrition  
balanced view

Can school lands  
be sold



272-5955  
Mabe?

John Miller  
2 lots  
Rocky Fork  
500 acres  
Jace Cole

APPEAL - +  
PROTEST -

Copy for -

Submitted by -  
KISSBEE

July 15, 1976

Michael C.T. Smith, Director  
Division of Lands  
323 East 4th Avenue  
Anchorage, AK 99501

APPEAL

Subject: Land Lease 2-003066-5- Lots 1 and 2, Block 10, First Addition to  
Alaska Industrial Subdivision, Anchorage, Alaska

Dear Sirs:

I am herewith appealing the exorbitant increase of my leasehold rent--from \$1,745.00  
per year to \$11,000.00 I am protesting this for the following reasons:-

1. I think it is not legal and very unfair. Our lease clearly states (and this was  
the impression given us at time of the auction sale) that the method of reappraising  
will be by comparison to other rental values of lands in a like area and same state  
of improvement ours was at the time of original lease, quote---

"such payments to be subject to adjustment at each five year interval from the  
effective date hereof, if the lease term hereof exceeds five years, such adjustment  
to be based primarily upon a reappraised annual rental value of land in a state of  
improvement similar to that of the land described herein at the time this lease was  
entered into."

When these lands were auctioned and leased, they were in heavy growth of birch, spruce  
and underbrush and had to be cleared, leveled, top soil removed and gravel backfilled,  
roads and utilities brought in. We even had our own culverts put in along the roadway.

Are you using such a raw land basis for your appraisal?

2. It appears to be a premeditated "land grab" to take the leases back, since you  
advise in advance that the Division of Lands is "prohibited" from granting any  
extensions (which has been done in the past) and you are raising the rent too  
high for people to stay in business.

If it takes an "act of God" to extend the rent due, I should think you would need  
God's permission for you to make such an unreal raise in rent.

3. Improved land with utilities in, ready for a building, rents for 10¢ per sq. ft. per  
year, in a good location. You are trying to charge us 45¢ after we have made all  
the improvements. \$1000.00 a month would rent a great shop, including utilities..  
how can we pay that for land only?

4. I consulted your appraiser and I feel that the formula used and the "few" overpriced  
properties he used as a comparison (already developed) are neither fair nor legal.  
I also was advised by him that the "state was in the leasing business to make as  
much profit as possible...and if we made any profit it would have to be from buildings,  
etc." or vice versa to that effect. At the rent you are trying to charge...who could  
build or make any profit. People can only pay so much, there is a limit...and at  
this rent rate, the land is not even saleable. No one in his right mind would purchase  
our lease knowing he could never have a deeded title and looking forward to a future

AGO 885681 +

POU BUN

4. (continued)

of insecurity and continual five year hassles.

We understood at the time of purchase that we could not own these lands, that during the lifetime of the lease we would probably pay as much rent as it would cost to purchase it. However, we did not expect to have to pay the purchase price over and over during the term of our lease.

Most of the leaseholders are long time Alaskan citizens who love their state and have helped pioneer and settle and develop this country.

We have worked hard for the good of Alaska and at the time we leased these lands, we had good faith that our Government would keep it's word--and could be trusted--but things like this are beginning to make us doubtful. We are becoming very discouraged as well as older--trying to keep up with all the zoning ordinances, rules and restrictions and cost of living, etc., and especially this new method of interpreting the land laws to suit your favor.

Creedness is driving away some of the big investors, are you now starting on the small ones?

Please reconsider these appraisals and get back to a feasible and workable plan as before. Thank you.

Sincerely,

*James E. Riggsbee Jr*

James E. Riggsbee, Jr.  
2015 Beroulis Drive  
Anchorage, AK, 99503

Hon. Jay S. Hammond, Governor  
Office of the Governor, Juneau  
Commissioner, Department of Natural Resources  
Leaseholders Association

## ALASKA LAND AND LEASE OWNERS ASSOCIATION

A number of Alaskans have leased State land from the Alaska Division of Lands. Most leases were written for a period of fifty-five years with renewal rights, subject to appropriate application and approval.

During the past year, ADL has reviewed the rental rates on a number of lots and parcels and, in some cases, has raised them over 1000%, others at a lesser rate but most increases seem excessive. Much of this land is in the Matanuska-Susitna Borough.

We recognize that there has been a great deal of speculation on fee simple land in the Borough because of the publicity attendant to the Capitol relocation. These speculative values, however, do not necessarily apply to lease lands. However, we have been informed by ADL personnel that the new rental rates have been arrived at by appraising a limited number of fee simple parcels (not leased parcels), estimating their sales value and taking 6% of that figure as the annual rent.

A.S. 38.05.105 says "rental payment is subject to adjustment at five-year intervals and charges or adjustments shall be based primarily on a reappraised annual rental value" i.e. not sale value.

There is no direct relation between the value of a title and the value of a lease, particularly when most rural land in Alaska is undeveloped. The situation differs with apartment rentals whereby when the supply is short and demand great rental value increases, but even there Governor Hammond has set up rent control boards to limit rent increases to a reasonable amount.

There are many reasons why a State leasehold cannot be equated to a title. Let me cite a few:

1. Bank financing is virtually unobtainable on lease land because of the uncertainties associated with the "five year adjustment" clause.
2. Renewal of lease is not assured at end of a 55 year period.
3. Use of land may be limited at ADL's discretion.
4. No equity accrues in the property.

In regard to point No. 4, most rural fee simple property could be purchased in a ten to twenty year period outright at or close to many of the new State rental fees and, most important, a great deal of rural land is available for fee simple purchase from individual owners, reducing the relative value of State Lease Lands, in view of the long term unpredictability of State Lease payment levels and absence of any accrued equity after long term lease.

We feel that ADL's method for adjusting lease rentals is not a fair or a correct procedure and, in fact, is in violation of State Statutes. We also feel that the procedures being used, particularly the "five year clause" deny much needed tax revenue to local governments. Putting the problem on a personal basis, many Alaskans will be forced to terminate their State leases, give up hopes for planned development, and sacrifice valuable improvements if the present policies and reappraisal methods are not improved.

We recommend several possible solutions:

1. Lands could be sold outright rather than leased.
2. Lands could be leased with an option to purchase at end of five years.
3. Rental could be:
  - a. Fixed for the fifty-five year lease period with lessee charged a percentage of any gain realized.
  - b. Increased annually at a fixed rate such as five percent.
  - c. Increased at the inflation or recession rate reflected in the Consumer Price Index.

The members of the Alaska Land and Lease Owners Association will appreciate and remember any positive action that can be taken on behalf of all State Land Leaseholders.

We appreciate you already having taken time to hear our views.

Respectfully Submitted:

William M. Mack  
Chairman, Board of Directors  
Alaska Land and Lease Owners Association

Box 740  
Wasilla, Alaska 99687  
June 19, 1976

Governor Jay Hammond  
Juneau, Alaska 99801

Dear Governor Hammond:

I request an appointment with you to discuss my state land lease #ADL 003045-3.

At auction in 1956 I bid and won this lease - land which was previously rented for 50 cents an acre - for about \$1000.00 per year, with full realization that every five years it would be reappraised, as the lease states, "to represent the true appraised rental value of the leased area". It has increased steadily; I paid \$3,985.00 for the year 1975.

About a week ago I received notice that the new lease appraisal will be \$32,800.00 per year - approximately 850 per cent increase!

I am one of many. A group of leaseholders made an appointment to discuss this with Mr. Smith, the Director of the Lands Division, who would not see us when we arrived. We did talk to Mr. Bruce Ackerson, the chief appraiser, who was very nice, and sympathetic, and unable to help. He explained that due to someones interpretation of the law, "fair price" has been changed to "fair market price", thereby increasing the annual rental 2% in addition to a new market appraisal value.

In viewing the States side, persistence of this rental policy will undoubtedly make re-leasing, or leasing other lands, very negligible. Also, the banks will be extremely hesitant to loan monies for building - either or both of which will incur less in taxes. I notice the Mat-Su Borough land auction June 26th states the lease amount is not subject to reappraisal. The highest bid establishes the annual rental for the 55 year term of the lease.

In viewing my side, I am an Alaskan since 1941, with continual residency except my years in service from 1943 to 1946. The last twenty years I've worked to improve this leased land and now have several substantial buildings, tho I owe the bank over \$400,000.00. I have worked and provided for increases, such as the Municipality of Anchorage tax bill which is \$20,000.00 this year; a modest raise that is tolerable. But who of us can afford 850 per cent increases?

I feel quite sure it is not the intent of the State to bankrupt me, my leaseholding neighbors, or my tenants. I approached several of my tenants who were outraged at the amount I will have to increase their rents. With only one exception, they informed

AGO 885685 +

Governor Hammond  
June 19, 1976

Page two

me they will have to move on or go out of business.

Nor do I believe it is the intent of the state to show bias; though we are aware that just down the street Bob Penney and the Teamsters Union are leaseing larger tracts of land, of greater value, for pennies, where we are paying dollars. Bob Penneys averages about \$750.00 per acre and the Teamsters have a better deal yet. Mine averages over \$19,000.00 per acre. How can this be justified?

We who have paid many times the original value, held it, and improved it should be entitled to justice. Instead, for our efforts, the State has seen fit to impose a highly inflationary and unfair rental fee, thereby not only taking back the property but also our entire investment in the land and all it's improvements, and leaving leaseholders of twenty plus years with insurmountable debts.

It seems impossible that twenty years of work and investment can be wiped out with one stroke of a pen - in this country! Particularly so, when it does not appear beneficial to the State Government, or her resident Alaskans. This may create more damage than the 1964 earthquake, to those of us involved in both.

Please consider my request for an appointment to discuss this with you. I will be anxiously awaiting your reply.

Sincerely,

Joe Wilhour  
Box 740  
Wasilla, Alaska 99687

Phone 376-5601

AGO 885686

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LANDS, 323 E. 4TH AVENUE, ANCHORAGE 99501

June 25, 1976

Leon T. Brown  
301 Mountain View Dr.  
Anchorage, Alaska 99504

2 Lots  
① 80' x 150'  
② 80' x 200'

Re: ADL 03039 - Lease of Alaska Land

Dear Mr. Brown;

After consideration of the late mailing of your quarterly billing notice for the period 05-02-76 to 08-02-76, your new rental rate of (2570.00) per quarter, based upon our reappraisal, will become effective for the quarter beginning 08-02-76. As you have made payment at the previous rate no further payment will be due until 08-02-76.

Your next quarterly courtesy billing, which will reflect our reappraisal, will be mailed to you in the usual manner.

No employee or official of the Division of Lands has the authority to grant an extension of time for the making of payments. The Commissioner of the Department of Natural Resources is the only person with authority to do so, and his power is limited to cases where "war, riots, or acts of God" have prevented timely payment.

Very truly yours,

MICHAEL C. T. SMITH, DIRECTOR

Roberta Staats  
By Roberta Staats, Accounting Technician I

022  
35625

AGO 88568T +

Dear Editor:

I am one of the "fortunate" State land leaseholders who just received an 850 per cent increase in rent. Possibly this is a little inflationary as I now have to increase my tenants rent and they in turn will have to raise their prices to the consumer. But that's the way it goes.

I wonder if this will require an impact statement? My lease land could be more valuable than Prudhoe Bay, tho I hope the State doesn't spend the money before I pay it.

The Legislators should get busy and think what they are going to do with all this money. The State should be able to borrow enough to get them through the budget crises for the last session, and they can increase their employees so Alaska will have no more unemployment. Or they can move the Capital. Possibly they can lease all of Alaska and buy the United States - and then lease it! Or we could pay off the National Debt as a friendly gesture. Or maybe the State should change their lease policy?

Can these figures be correct? My calculator ran out of spots.

If the rent policy remains the present rate, I will pay the State a lease rental over the next 40 years  $\$32,800.00 \times 40 = \$1,312,000.00$ .

However, if the State decides to raise the rent the same 850 per cent every five year period, I will pay the following:

At the end of the first five years	\$	164,000.00
At the end of the second five years		1,394,000.00
At the end of the third five years		11,849,000.00
At the end of the fourth five years		100,716,500.00
At the end of the fifth five years		856,090,250.00
At the end of the sixth five years		7,276,767,125.00
At the end of the seventh five years		61,852,520,560.00
At the end of the eighth five years		525,746,424,760.00

Which totals:  $\$595,845,926,195.00$   
Five hundred ninety-five billion, eight hundred forty-five million, nine hundred twenty-six thousand, one hundred ninety-five dollars! For less than two acres!

The state owns 640 acres - Section 16 - in the Anchorage area. If all of this were leased at the same rate the State could collect One hundred ninety trillion, six hundred forty-four billion, five hundred thirty-five million, six hundred thirty-nine thousand, forty Dollars. ( $\$190,644,535,639,040.00$ ) And just from Section 16 for the next 40 years.

Anyone want to buy a State lease? Improvements extra, of course.

Joe Wilhour

Box 740 Wasilla Alaska 99697

AGO 885688 +

*Joe Wilhour*

2350 COMMERCIAL DRIVE ANCHORAGE

184 1403 8/1/6

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LANDS  
323 EAST 4TH AVENUE  
ANCHORAGE, ALASKA 99501

DATE	TYPE	SERIAL NUMBER ADL	CUSTOMER ID	SUBJECT	
06-09-76	2	03065-7	16247	LAND LEASE	076

PAYOR

ANCHORAGE CAMPER CENTER  
~~CLARK-RICHARDS TRS~~  
 2756 COMMERCIAL DRIVE  
 ANCHORAGE AK 99501

PURPOSE	FROM	PERIOD	TO	AMOUNT
QUARTERLY RENTAL AT NEW APPRAISAL	05-02-76	08-02-76		6,620.00

RECEIVED BY	DATE	RECEIPT AMOUNT	PAY THIS AMOUNT	AMOUNT
			▶	6,620.00

REMARKS

MAIL OR DELIVER TO

RETURN THIS COPY WITH YOUR REMITTANCE

DIVISION OF LANDS  
323 EAST 4TH AVENUE  
ANCHORAGE, ALASKA 99501

MAKE REMITTANCE PAYABLE TO

DO NOT ACCEPT THIS COPY AS A RECEIPT  
THIS IS A BILL OR NOTICE

DEPARTMENT OF REVENUE  
CUSTOMER BILL

# STATE OF ALASKA

# DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LANDS  
323 EAST 4TH AVENUE  
ANCHORAGE, ALASKA 99501

DATE	TYPE	SERIAL NUMBER ADR	CUSTOMER ID	SUBJECT	NOTICE OR BILL NO.
06-30-76	2	003066-5	05458	LAND LEASE	790243

PAYOR

JAMES E RIGSBEE JR  
2015 BOREALIS DR  
ANCHORAGE AK 99503

xck 10034 by same

PURPOSE	PERIOD	TO	AMOUNT
QUARTERLY RENTAL	08-02-76	11-02-76	2,900.00

RECEIVED BY	DATE	RECEIPT AMOUNT	AMOUNT
jb	8/02/76	436.25	2,900.00

REMARKS

*paid with protest*

*Present Rent*

*rent increased  
Billing*

# RECEIPT

RECEIPT

$$\begin{array}{r} \$436.00 \\ \times 4 \\ \hline 1744 \end{array}$$
 year

$$\begin{array}{r} 2900 \\ \times 4 \\ \hline 11600 \end{array}$$
 Per year

$$\begin{array}{r} 354 \\ 2406 \\ \hline 2760 \\ 700 \\ \hline 3460 \end{array}$$

Started at  
22  
255  
4  
1020

\$1020 year

AGO 885690 +

$$\begin{array}{r} 1070 \\ 1666 \\ \hline 2736 \\ 587000 \\ \hline 20720 \end{array}$$

$$\begin{array}{r} 3224 \\ 1745 \\ \hline 4969 \end{array}$$