

**ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672**

**8411 SENATE LABOR & COMMERCE**

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# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Juneau, Alaska 99801-2105

### MEMORANDUM

February 17, 1994

**SUBJECT:** Alaska Railroad Corporation Revenue Bond Authorization  
(Work Order No. 8-LS1761\A)

**TO:** Senator Tim Kelly  
ATTN: Josh Fink

**FROM:** George Utermohle *GU*  
Legislative Counsel

Enclosed is the draft bill that you requested, authorizing the Alaska Railroad Corporation to issue revenue bonds in the amount of \$55,000,000 for the Alaska Discovery Center, contingent upon a determination by the board of directors of the corporation that the project is feasible and financially sound.

The bill satisfies the requirement under AS 42.40.285 that the legislature approve the issuance of bonds by the Alaska Railroad Corporation. The bonds authorized by the bill will be issued under and subject to AS 42.40.600 - 42.40.700. However to allow that the bonds be repaid only from the revenue and assets of the owner of the Alaska Discovery Center, the bonds are excepted from AS 42.40.630. AS 42.40.630 provides that railroad revenue bonds are to be paid and secured by revenue and assets of the Alaska Railroad Corporation.

Please note that the draft bill does not contain section 2 from the proposed bill that you provided with your drafting request, because it is not necessary. The statement contained in the proposed section 2 is a virtual duplicate of AS 42.40.690(b) which states:

(b) The corporation may not pledge the credit or the taxing power of the state or its political subdivisions. **Each bond issued under this chapter shall contain on its face a statement that**

(1) the corporation is not obligated to pay it or the interest on it except from the revenue or assets pledged for it; and

(2) neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of it.

(Emphasis added.) Since this statement will appear on the face of the bonds as required by AS 42.40.690(b), it is not necessary to set out that statement in the bill.

If I may be of further assistance, please advise.

GU:pl:mi  
94-134.plm

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# LoPatin & Co.

March 3, 1994

Senator Tim Kelly  
Labor and Commerce Committee  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Dear Senator Kelly and members of the Senate Labor and Commerce Committee:

It was a pleasure meeting with you Tuesday and presenting Ship Creek Landing to the committee. We are very excited by this project and encouraged by the responses we have received. We expect it will become one of the most significant developments in the State; promoting not just Anchorage, but all residents and business.

At the hearing I was asked to provide employment estimates for the Northern Crossroads Discovery Center. We estimate the center will employ 325 full and part time employees. I expect virtually all employees will be Alaskan residents.

In addition, Senator Lincoln requested a copy of the Economic Research Associates' preliminary market analysis. Enclosed is your copy. Please note the report was preliminary and not all the suggestions were incorporated in the preliminary design. The design does, however, embody the ERA concept for the Discovery Center. That being:

"as an innovative marketing center for amenities of the city and state to encourage extended stays and return visits. In addition, the center would also augment existing tourist facilities to encourage a more enjoyable visit."

Thus, the economic impacts of the center go beyond the \$41.6 Million to the Anchorage economy to other segments of the State.

If you have any further requests, do not hesitate to call.

Sincerely,

  
Mark LoPatin



**Economics Research Associates**

*Alliated with Drivers Jonas*

Los Angeles  
San Francisco  
San Diego  
Chicago  
Boston  
Washington D.C.  
Fort Lauderdale

**SHIP CREEK PROJECT  
ANCHORAGE, ALASKA**

*Prepared By:  
Economics Research Associates  
April 1992*

THE ALASKA EXPERIENCE OR DISCOVER ALASKA CENTER  
AT SHIP CREEK IN ANCHORAGE

SHIP CREEK PROJECT - INTRODUCTION

The purpose of this report is for Economics Research Associates (ERA) to provide LoPatin and Company and the Alaska Railroad Corporation with an initial assessment of the development opportunities for the Ship Creek Area. The focus of the assessment is the 120-acre Ship Creek site located on the City of Anchorage waterfront. ERA's initial recommendations reflect:

1. An overview of current tourism to Anchorage and Alaska and tourism trends.
2. Current visitor activities and amenities.
3. An assessment of related market as well as railroad and public policy issues.

ERA's initial conclusions are somewhat general in detail and are subject to further refinement based on more specific market evaluation and concept development.

The research to date reinforces the growing importance of the tourism industry in Alaska and especially for the City of Anchorage. City, public, and private leadership generally agree that providing expanded activities for visitors, keeping them here longer, and increasing off season tourism is essential for the Anchorage economic base. The diminished employment need in the oil industry and concerns over future military activity highlight the importance of tourism for the State economy as well. The State's visitor priorities are similar to those of the City, with the major addition of trying to explain the scale and grandeur of Alaska to short-term visitors. Since Anchorage serves as a major point of entry to the State, the Ship Creek project could indeed be the Gateway to Alaska.

The Gateway notion is reflected in our recommendation that the Ship Creek project should be highlighted by an exciting, sponsored visitor amenity. The initial concept, Discover Alaska Center, would be designed to introduce what Alaska is and what the State has to offer to visitors. As such, the Discover Alaska Center would serve as an innovative marketing center for the amenities of the City and the State to encourage extended stays and return visits. In addition, the Center would also augment existing tourist facilities to encourage a more enjoyable visit.

The Discover Alaska Center is the cornerstone of the Ship Creek project. We have briefly described the overall concept and the possible component features. Current and near-term tourist forecasts of up to one million visitors by the year 2000 provide the market for the Center. A major consideration for the necessary refinement of the Discover Alaska Center is the degree of sponsorship that will be available. To the degree that public and private financial support can be obtained, the project could be expanded beyond what the current market would justify in order to:

1. Produce a more exciting facility that has expanded visitor appeal.
2. Generate more enthusiasm for tourists to extend their visit and plan return trips.
3. Create new interest in off-season visits through the marketing program and by the Center itself which will be an exciting year-round facility.
4. Provide the City and State population with a high-end entertainment, education, and cultural amenity.

The final recommendations for the Discover Alaska Center must by necessity follow the response of prospective private and public sponsors. It is recommended that ARRC, local, State and Federal appointed and elected policy makers be enlisted to help identify potential funding sources. As this process evolves, it will be necessary to incorporate additional technical expertise in the area of concept design and related financial feasibility issues.

Our recommendations for the overall land use in the Ship Creek area reflect both the need to finalize the Discover Alaska Center and the variety of planning, engineering, and design issues involved with a site of this type. A project of this size needs to be viewed as a process which will be carried out over a period of years through a series of successful projects. The Discover Alaska Center is the first and most important project in the process.

The program involves the long-term development of the Anchorage waterfront based on a tourism, education, and entertainment theme. The initial project, a Discover Alaska Center, is the catalyst to the Ship Creek project and its aim is to provide an introduction and feel for Alaska in ways that instill a desire to see more of it. This focus reflects:

- a) An emerging recognition of the importance of tourism to the local and state economies.
- b) The immense scale of Alaska and the distance and access problems in experiencing many of its unique amenities.
- c) Anchorage's role/opportunity as Alaska's entry point as well as the state's cultural, education, and entertainment center.

The basis themes recommended for the Discover Alaska Center build off of Alaska's major amenities and attractions:

- Nature and scenic tourism;
- A unique history and culture; and
- A resource center that serves the world.

Our recommended program reflects current visitor activity which is growing and has tremendous potential to capture the expanding interest in nature by both domestic and Far East visitors. Current Anchorage visitation (described in Appendix A) amounts to approximately 765,000 people per year, up 20 percent since 1985. As indicated, a major issue with current visitation is its seasonality; most come during the four month summer season, and the duration of the visit averages a little over two days in Anchorage.

Our conclusions from our assessment of the Anchorage market is that an attraction such as the Discover Alaska Center is greatly needed. There are not enough quality activities for current visitors in the city and the vast majority of the State's visitors appear to have unfulfilled time.

The current Alaska visitor:

1. Arrives during the four month summer season (72%).
2. Is from the Western states (41%), South (18%), or Midwest (15%).
3. Arrives by air (69%).
4. Is on a vacation or pleasure trip (65%).
5. Is 45 years or older (62%).
6. Stays in a hotel (approx. 62%) and does not stay too long.

Based on ERA's initial assessment, the attraction should be targeted to an adult market with the understanding that it will have educational appeal to youths in the local market in the off-season. However, ERA believes that in time, Alaska will expand as an attraction for children and teenagers as a result of the increasing attention given ecology, environment, nature, and wilderness by education systems. This should increase the market for families with children as well as young adults.

Ideally, there will be the opportunity to reach visitors more than once on their visit to Anchorage. The attraction should be flexible enough in its programming to provide a number of experiences, including differing evening and daytime experiences. In addition, the Anchorage area has a very high percentage of visitors who are not on package tours when compared to the rest of Alaska. This means people will have the freedom to set their own itineraries and visit more than once or for longer periods of time. Our recommended concept involves a number of tourist venues, as well as a combination of visitor services including food, entertainment, and tour information.

A major theme of the Discover Alaska Center is to provide visitors with a greater awareness of the vast number of activity options and the idea that an extended stay or repeat visit is warranted. Expanding the visitor market and season is the basis for securing the support of existing tourist functions and maximizing the development potential of the balance of the Ship Creek site.

Existing tourist venues are described in Appendix B and include:

1. The Portage Glacier
2. Inside Passage
3. Mendenhall Glacier
4. Glacier Bay
5. Ketchikan Totems
6. Denali Park/Mt. McKinley
7. Skagway Historic District
8. Anchorage Museum of History

In ERA's opinion, the high penetration rates for the existing tourist sites as well as for other Anchorage facilities along with the short duration of the visits indicates tourists are looking for something to do.

This point has already been recognized by the owners of the Alyeska Ski Resort. The resort, located outside of Anchorage, is planning a major expansion of its lodging and recreational facilities (see Appendix D).

To further public support for the project, secondary themes of education and entertainment for the Alaskan market are also important considerations. On the level of the school-age child, the Anchorage School<sup>1</sup> District Community Resources Office coordinates educational visits by its students to local visitor attractions.

The best example of an attraction like this would be the Museum of Art and History. The Museum hosts close to 650 school groups with a total of 17,000 students annually. An estimated 14,000 are students in the Anchorage school district (just under one-third of the total student census). The remaining student groups come from schools throughout the state.

In addition to these student groups, the museum hosts another 90,000-110,000 visits from Anchorage area residents and other Alaskans. They come individually or in small groups to see the museum's collection, special events and exhibits, and film series. They leave with increased knowledge or appreciation for art and history.

#### DISCOVER ALASKA CENTER - CONCEPT

Alaska is a tourism gem in the rough - one that is truly in the rough because, depending on the survey, Alaska ranks between 40th and 44th out of the fifty states in total visitor expenditures<sup>1</sup>. Many states that are much less well known as visitor destinations like Nebraska, Iowa, Alabama, Kentucky, West Virginia, Kansas and others do far better. Considering what Alaska has to offer, this amazingly low ranking illustrates the apparent great potential for new visitor development.

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<sup>1</sup> The national rankings include items such as travel generated expenditures in: transportation, lodging, food service, entertainment and recreation, and general retail trade. The source is the National Travel Survey by the U.S. Travel Data Center.

A key aspect of visitation is obviously linked to the distance and cost involved in travelling to Alaska compared with other tourist destinations. While it would be interesting to examine the implications of air travel pricing policies, especially during the off-season (including the potential impact of incentive programs) that is not our current focus. ERA's experience, however, is that there is a relationship between the distance and cost of vacation travel and the need to derive a high level of personal satisfaction from the experience. In general, this means that Alaska must take every effort to assure that visitors have a relatively easy time getting introduced to this huge and diverse state, maximize the activities and enjoyment of their stay, and leave with the feeling that it was worth the effort.

At present, Alaska is not easily understood. It is too big and diverse to grasp. There are 586,000 square miles, at least five definable native cultures, a number of widely different environments, and a richer variety of wildlife and sealife than in any other state. Sixty percent of the visitors to Alaska stay for more than a week, but even these visitors see only a mere fraction of what Alaska has to offer and never even hear about much of it.

Polls show that visitors leave satisfied with their experience, but the majority never get the thrill of seeing Mt. McKinley, much of the wildlife, the native cultures, or hearing the great stories of courageous and tenacious European explorers and American pioneers. The vast majority leaves without enjoying the finest selection of outdoor activities in North American such as hiking, fishing, climbing, canoeing or other types of boating.

The Discover Alaska Center is envisioned as three entertainment/educational pavilions that, like anchor stores in a shopping mall, result in a critical mass of attraction that attract more visitors than a single pavilion would on its own. The concentration of visitors also provides support for the smaller retail and food vendors that are a major source of project revenues. The goal of the three pavilions is to inform or educate people about Alaska in a very entertaining way to increase visitor interest in doing more, staying longer, and coming back.

The recommended themes of the three pavilions are:

- I. Nature/Ecology,
- II. History/Culture, and
- III. Resources.

A fourth pavilion, or set of services spread amongst the three pavilions would have entertainment, food, and visitor services, possibly in an old Anchorage street scene format.

The centerpiece of the Discover Alaska Center should be a large open space (most visitors will come in the summer), with a focal element that has an Alaskan theme and is large enough to draw curiosity. ERA likes the idea of a very large sculpture/model of the state of Alaska that can be walked on and around. Walking on and around the model will help people grasp the enormity of the state and its many terrains and distinctive areas. Built in lights marking important sites and routes and spot-lighting can heighten the drama of the sculpture/model. A variety of techniques are available to enclose the concept during the off season to provide a year-round amenity.

As stated, a major consideration is the potential of obtaining private or public sponsorship for the Discover Alaska Center. In order to facilitate potential discussion or preliminary interest in this project, we have provided the following description of potential activities. Depending upon the potential sponsor response, further market refinement and facility design research and alternatives will be developed. For purposes of discussion, the Discover Alaska Center could involve:

## I. NATURE/ECOLOGY

### *Introduction*

This theme is recommended for the primary pavilion of this attraction for the following reasons:

1. The natural world theme is the basis of Alaska's appeal as a destination and should be the key part of any attraction that proposes to give an overview of Alaska.
2. If this attraction is to be the "organizing" attraction for visitors to Alaska, it must introduce and provide details about the natural attractions of Alaska.
3. Anchorage visitors who see the Anchorage area attractions with natural orientations do not see the full range of natural attractions in Alaska.

4. Future interest in natural attractions can only be expected to increase as concerns about and interest in the natural world continue to rise.

Each of these points is discussed below.

1. *Natural attractions are the basis for Alaska's appeal*

Four of the top five attractions and six of the top ten attractions in Alaska have a natural orientation. All six have amazingly high summertime visitor penetration rates (percent of visitors who come to the attraction) for visitors to the region where they are located. Winter visitation drops sharply as access to these natural areas is often sharply reduced. In order of their attendance totals, the six are:

<u>Attraction</u>	<u>Tourist Market Penetration Rate</u>	<u>Region</u>
Portage Glacier	67%	Southcentral
Inside Passage	74%	Southeast
Mendenhall Glacier	65%	Southeast
Glacier Bay	59%	Southeast
Denali/McKinley	99%	Denali/McKinley
Kenai River	34%	Southcentral

Two of these attractions, Portage Glacier and the Kenai River, are in the southcentral region where Anchorage is located. Three of located in the Southeastern region (i.e., Juneau).

2. *The Discover Alaska Center as an organizing attraction for the natural attractions*

The Discover Alaska Center will be positioning itself as an entertaining and educational attraction and a complete visitors center. To be a complete visitors center, the Discover Alaska Center Nature Pavilion should offer information services on the state's leading natural attractions as well as many of the newer ones that are under development. The information service should include pictures with descriptions of these attractions, commercial and public tours available for

transportation to and within these attractions, activities permissible at the place, and other types information of importance to visitors. The attraction descriptions and pictures, and the activities permissible should form the core content of the entertainment found elsewhere in the Nature Pavilion.

3. *Natural Attractions in the Anchorage area do not tell the whole story.*

Alaska's most popular natural attraction is the Portage Glacier which is located just outside of Anchorage. Visitor attendance is estimated to be approximately 270,000 annually. It has a summer visitor penetration rate of 67 percent for visitors to the southcentral region. On the way to Portage Glacier, visitors pass Chugach State Park. The State Park's visitor attendance is estimated to be approximately 110,000 annually. It has a summer visitor penetration rate of 27 percent for visitors to the southcentral region.

These two natural attractions offer some elements of a glacier, forest and mountain experience, but not all. For example, Portage Glacier does not have the giant cliffs of ice that plunge into the ocean that Glacier Bay does. Chugach State park is not as grand or well known as the mountains in Denali are. Neither offers viewing of sea mammals.

Visitors to Anchorage's two leading natural attractions see only a portion of the state's natural attraction resource. The intent of the presentations in this pavilion should be to broaden the awareness of natural sights and experiences in Alaska beyond the experiences that visitors get at Portage and Chugach.

4. *Future interest in natural attractions will increase.*

The world around us, in particular concerns about the "the natural world," will shape our lives more than ever in the coming decades. The concepts of conservation, re-cycling, low impact vacationing, learning about and respect for nature, and ultimately "eco-tourism" have, after years as a sub-culture, become a part of the mainstream travel/vacation culture. This is not to say that they have displaced the modern travel/vacation values that hold pleasure, comfort, relaxation, convenience, and entertainment in high esteem. Modern man's demands for these remain firm. Rather, they have become awkward but inevitable bedfellows.

### *Response to Market*

As noted earlier, the Anchorage visitor market is typically older individuals on vacation, business people in town for over three days, and foreign visitors - often European, but increasingly Japanese and Korean. The Anchorage resident market differs little from that of any other typically American city of 250,000. With these factors in mind, this element of the Discover Alaska Center endeavors to be:

- Clearly structured;
- Easy to move through;
- Playful with the imagination through sight and sound shows rather than physical body motion; and
- Rich in informational content that, when mixed with the audio and visual media, makes for an element that is appealing to curious adults and educational to children.

### *Description of Components*

Based on ERA's experience, potential elements for this pavilion could include: a presentation in a large specialty theater that emphasizes the big picture of Alaska's natural landscape, "please-touch" and interactive exhibits in pre-show areas that focus on ecology and the man-nature relationship, and a smaller specialty theater that focuses on wildlife. Kiosks that promote sightseeing with a wilderness flavor could be located just outside of this element's exit.

We recommend that an Omnimax/Planetarium type theater be considered because:

- The subject of Alaska, with its vast scenery and open spaces, and phenomena like the Northern Lights, is particularly appropriate for presentation in a large format film presentation like Omnimax.
- There is a local desire for a planetarium that cannot be economically justified, and there are several Omnimax installations in San Diego, Minneapolis, and Kansas that successfully integrate the planetarium projection equipment into a Omnimax.

- It is hoped an Omnimax type film of Alaska can be successfully distributed to theaters in the Lower 48 and abroad where they can be used in presentations that either subtly or overtly promote travel to Alaska, as well as generate additional revenues. ERA believes that properly marketed, a road show of the film and Alaska exhibits could be a highly successful activity. The program could be linked to science museums and private theaters.

We also recommend a smaller specialty theater that focuses on wildlife. This could be expressed in a "Sounds of Alaska" concept.

- In a totally dark room, the sounds of wildlife and other sounds in nature are played on a high-tech, high-fidelity sound system. Moments after the sounds begin and move around the room, images or quick films of the animals or scenes are flashed on a screen. This would be done best in a round or polygon shaped room where people sit or stand in the center. For example, the growl of a grizzly would be heard, followed a moment later, by a short (five second) film clip of a grizzly loping rapidly towards you, flashing on the wall. Then the screech of a bald eagle would be heard, followed by the image of a eagle flashed on another wall. Other sounds would be the crashing of a glacier into the sea, wolves, whales and the winds of the arctic.

### *Length of Stay*

As this nature pavilion is the primary pavilion in the Discover Alaska Center, we expect that visitors to the Center will spend the greatest amount of time there.

The greatest amount of time will be spent in the theater if the film is the typical thirty minutes. The "Sounds of Alaska" presentation should take no more than 10 minutes. On average, the exhibit areas and information areas will take no more than 30 minutes including wait times. This brings the total length of time spent in this pavilion to 60 to 70 minutes on average.

### *Other Amenities*

A gift shop with a merchandise mix similar to that of the Nature Company Stores would be appropriate at the exit from this Pavilion.

## II. History/Culture

This theme is recommended for the second pavilion of the attraction for the following reasons.

1. After nature, the theme with the greatest appeal to visitors is the history and native cultures of Alaska.
2. As in the first pavilion, if this attraction is to be the "organizing" attraction for visitors to Alaska, it must introduce and provide information about the historical and cultural attractions of Alaska.
3. Anchorage visitors are not, at this time, exposed to the full range of the historical and cultural story of Alaska.
4. Interest in cultural attractions is growing as a desire for more "authentic" experiences increases among segments of the traveling public.

Each of these points is discussed below

### *1. Historical and Cultural attractions: Alaska's second theme*

Eight of the top fifteen attractions in Alaska have a natural theme, but six have historical or cultural themes. The six have surprisingly high summertime visitor penetration rates for visitors to their regions. As with many of the natural attractions, visitation drops sharply between September and May. In the case of four cultural/historical attractions in the southeastern region, this is due to the cessation of cruise ship trips from mid-September to mid-May. The state's top six cultural/historical attractions in order of their summer visitor attendance are:

<u>Attraction</u>	<u>Tourist Market Penetration Rate</u>	<u>Region</u>
Ketchikan Totems	58%	Southeast
Skagway Historic Gold Rush District	57%	Southeast
Anchorage Museum of History and Art	42%	Southcentral
Sitka's Russian Church/Dancers	33%	Southeast
University of Alaska Museum	54%	Interior/North
Alaska State Museum	31%	Southeast

Only one of these attractions, the Anchorage Museum of History and Art, is in the Southcentral region where Anchorage is located. Four of the six are located in the Southeastern Region.

2. *The Discover Alaska Center as an organizing attraction for historical/cultural attractions*

To be a complete Alaska visitors center, the Discover Alaska Center History/Culture Pavilion should offer information services on the state's leading historical and cultural attractions as well as many of the newer ones that are under development. But it can also play another role that will help visitors place the historical and cultural attractions that they see in a context. With the exception of some of the museums, each of the state's many historical and cultural attractions focusses on a particular piece of the state's history, to the exclusion of the rest of the state's history. The Ketchikan totems are artifacts from one era, the Sitka Russian church another. In presentation, this attraction can organize these many different periods and places and provide information services about places from each period. These information services should include pictures with descriptions of these attractions, commercial and public tours available for transportation to and within these attractions, and other types of information of importance to visitors. The attraction descriptions and pictures should form the core content of the entertainment found elsewhere in the Cultural/Historical Pavilion.

3. *Cultural/historical attractions do not tell the whole story in Anchorage.*

Of the six cultural/historical attractions that are among the top fifteen attractions in the state, only one is in Anchorage. That is the Museum of History and Art. This is really not surprising because, we understand, the Anchorage area was not permanently settled until recent historic times. Hence, there are no historical artifacts like old settlements or clusters of totem poles to build an attraction around. (The exception is a small but developing Russian site twenty-five miles outside of town called Eklutna).

The Museum is currently the focus for visitor cultural/historical interest. It is open year-round and has an annual attendance that is estimated to be 250,000 and a remarkable summer visitor penetration rate of 42 percent. This is lower than the nearby Portage Glacier's 67 percent but is still very high for a museum. The museum has a very good static presentation on the cultural history of native Alaskans, and the impacts of the Russians, and lives of the anglo pioneers, but the entertainment value is low and the visual impact limited by the static diorama format. Recognizing this, the museum has supplemented the displays with native film and dance programs thrice daily in the summer. While the dances and films are good, the overall package is not easily comprehended as a whole, and the visitor flow is choppy.

Efforts have been underway for the development of an attraction developed by and about native peoples on a site just outside of Anchorage. There is reported confusion and opposition to the development of this attraction. The future development prospects and parameters of this attraction should be better known by the end of this year.

Neither the Museum nor the proposed native peoples attraction discusses Alaska's Natural History, and neither explain the Alaska's history in an entertaining way.

4. *Future interest in cultural/historical attractions will increase.*

Cultural tourism is closely related to eco-tourism in that it is a growing type of travel that strives to add learning and relevance to the travel/vacation experience. The interest in cultural subjects is reflected in statistics that show rising museum visitation in the U.S., increased spending on cultural events (they now exceed sporting event spending), and the rise of specialty media outlets

that serve cultural tourism and eco-tourism interests including the Arts and Entertainment network, the Discovery Channel, and the number of cultural and nature programming on the Turner networks and PBS. In education, increased interest in other cultures can be seen in the multi-culturalism movements in all levels of education.

### *Response to Market:*

The Anchorage visitor market is comprised, typically, of well-educated, older individuals on vacation, business people from the Pacific Rim or the Lower 48 in town for over three days, and foreign visitors - often European, but increasingly Japanese and Korean. The Anchorage resident market differs little from that of any other typically American city of 250,000. With these factors in mind, this element of the Discover Alaska Center endeavors to be:

- Clearly structured;
- Easy to move through;
- Playful with the imagination through sight and sound shows rather than physical body motion;
- Rich in informational content that, when mixed with the audio and visual media, makes for an element that is appealing to curious adults and educational to children. The content here is going to be a little more difficult to convey in an entertaining way than the content of the nature pavilion. However, the content cannot be lost in the entertainment if this is expected to have the educational value that it needs to retain and maintain funding and support from the public sector;
- One segment of the market whose content concerns will need to be addressed will be the native peoples. These concerns should be used to increase the accuracy and relevance of the content and enhance, not reduce, the entertainment values; and
- Sections on the multi-cultural history and current reality of Alaska should be interesting and involving for foreign visitors, especially the Japanese.

ERA also believes this pavilion would provide an excellent merchandising opportunity for high quality authentic native arts and crafts.

### *Description of Components*

ERA recommends that this pavilion contain components that include a non-static exhibit that describes the native peoples history in Alaska from the Bering Straits land-bridge times to the present - with an emphasis on native cultures, a geo-drama theater that tells geological history of Alaska, and exhibits on the modern development of Alaska.

One recommendation that ERA has for the story of the native peoples in Alaska would be a theater similar to the Spirit Lodge that was sponsored by GM at the 1986 World's Fair in Vancouver. A variation that could have some appeal would be to have visitors seated in a dome rail car (complete with motion and sound) that travels past the historical and cultural attractions.

The geo-drama concept attempts to the geological/natural/and human history of the state in one high energy audio/visual presentation. The idea calls for a theater experience that is conceptually similar to this description.

- The geo-drama would trace the geological/natural/and human history of Alaska from when the universe was created, through the creation on the solar system, the earth, the arrival of plants and animals, early man, and the shifting plate tectonics that resulted in the creation of Alaska including periods when the climate of Alaska was in a frigid ice age, a warm tropical age, and a hot age of erupting volcanoes. As the geological form of the state cools into shape, the migrations of people over time would be shown on a projected map of the state. Live performers could be incorporated to enhance the explanation of Alaska's diverse cultural heritage. Viewers would stand or sit on a balcony around the edge of a circular room and watch a fast-paced, multi-media presentation projected on the circular floor below as if they are looking through a porthole to the past.

The geo-drama should also capture the idea that Alaska has benefitted over time from its geographic position on the Pacific Rim that has brought many peoples to its shores.

In a place as big as Alaska, transportation routes and means directed the way in which miners from the gold rush era to the oil drilling era traversed and then settled the state. This element would describe the settling of Alaska in modern times through methods of transportation including dogsleds, seaplanes and ski-planes, ships, railroads, and roads. There are many good "people" stories here involving heroism, gumption, and grit. Simulators like a dog sled in-a-blizzard simulator with a wind machine and a real snow machine along with rail and plane simulators could bring reality closer to the visitors.

### *Length of Stay*

This pavilion will have a more balanced time distribution between the three principal elements than the Nature Pavilion will. Each of the three elements we expect will take fifteen minutes, although a geo-drama may take twenty minutes. Including waiting time, the amount of time spent in this pavilion should average about sixty minutes.

### *Other Amenities*

This pavilion should include at least one gift shop with two distinct merchandise categories. One would be merchandise made by native peoples and the second would be merchandise similar to that found in a science museum gift shop (in keeping with the geo-drama element). Given that both of these merchandise lines are very different from one another, it may be wise to separate them into two smaller shops but still permit easy passage between the two to maximize visitor exposure to goods.

### III. Resources

#### *Introduction*

This theme is recommended for the third and final pavilion because resource extraction - oil, fish/sea mammals, coal, timber, gold and other minerals have shaped the lore and the development of Alaska. It is likely that the industries built on these resources could be interested in taking a role in the telling of the Alaska story at the Discover Alaska Center. If so, and if their financial and in-kind contributions are significant enough, this third pavilion could be as compelling as the first two. For the present, we are assuming financial assistance could be provided.

There are two attractions that the resource extraction industry has at this time in Alaska and the more popular of the two, the Alaska Pipeline, wasn't built as an attraction. The story and technological sophistication of the pipeline is such that it draws almost 120,000 visitors each year. Sixty-five percent of the summer visitors to the Interior/Northern region make it a point to see the pipeline. This is a greater market penetration rate than the University of Alaska Museum and Alaskaland, an amusement park, have in that region. It is the single largest draw in the region.

Near Juneau, in the southeastern region, the two year old DIPAC fish hatchery was built with visitors in mind and features a visitors center, displays of fish in a variety of tanks, and an outdoor area to watch the salmon on the fish ladder. In its second year it had a 33 percent summer visitor penetration rate.

All elements of this pavilion are likely to be influenced by industry supporters, but the lessons of corporate support at the World's Fairs and EPCOT should keep the message of the exhibits as honest and balanced as possible.

ERA has several suggestions for elements to this pavilion. They are:

A whale exhibit, similar to the Underwater World attractions, could involve walking through a tank while whales swim around, over, and under you.

- Seeing Alaskan wildlife is great sport for visitors, and they can never get enough of it. The most popular to sight are moose, otters, salmon, sea lions, walrus, puffins, eagles, polar bears, kodiak bears, and whales. Of these, one ranks higher than others in high interest by tourists and rarity of high-quality sightings - - whales. A walk-through tank, similar to ones developed in other pacific rim countries, could give visitors a far better view of whales than they might normally get.

A salmon center...

They could not be closer. Ship Creek hosts Anchorage's principal salmon runs. Native folklore and other legends of the pacific northwest say more about salmon than nearly any other fish or animal. There are two options here.

- One would be to put in a fish hatchery that is designed to maximize visitor exposure to the process like DIPAC which is near Juneau. Last year, its second year, DIPAC, attracted 100,000 visitors. Many are visitors from the cruise ships, who were quick to add it to their itinerary. DIPAC is a non-profit organization supported by the fishing industry.
- The alternative would be to build a special display area for salmon, including a possible man-made stream about six feet wide and thirty winding yards long. If filled with black gravel, the brightly colored beauty of the fish could be seen sharply against the dark background. This stream could also be the hook for a highly-themed seafood restaurant.

An oil exhibit that addresses the importance of this resource to the nation and state as well as the extraction process. This important component needs to be reviewed with industry representatives to determine their interest and willingness to participate in the project. In ERA's experience, industry related exhibits are more common than might be thought. Almost two dozen individual companies have individual museums including the elaborate Motorola and Corning museums and the relatively simple Schwinn and John Deere exhibits. There are several ways to approach a petroleum exhibit. Here are three.

- As an Energy Exhibit. Virtually every one of the science museums in the country has an energy exhibit. Epcot has one too. It is comprised of three movies and a ride through attraction.
- As an exhibit about Oil and Alaska. This could resemble a successful exhibit modeled after one staged at the Royal Museum in Victoria, British Columbia several years ago. This exhibit focused on the Canadian Oil industry and the many roles that petroleum and its products plays in our lives.
- As an exhibit that emphasizes the sophisticated technology and sheer size of the key Alaskan pieces of the oil refining business. Here the emphasis would be on the Alaska Pipeline and the technological achievement of designing, building and operating facilities like those in Prudhoe Bay. The majority of the visitors know of the pipeline and many are interested in seeing it but are unable to travel to see it. The pipeline could be viewed as a level of achievement on par with the Hoover Dam, the Sears Tower, the St. Louis Arch and other examples of man-made achievements.

#### IV. Tourism Amenity

This amenity could include:

- Local information about Anchorage,
- Tour and travel services,
- Entertainment, and
- Restaurants.

This component of the project depends upon the eventual scale and configuration of the other three. More importantly, its actual location in the Discover Alaska Center depends upon a variety of related decisions including:

1. Where the Discover Alaska Center is located.
2. The location and timing of a potential Ship Creek hotel. The tourist amenity could be an enclosed "street" between the Center and the hotel. An alternative could have the tourist amenity in the hotel as long as the Center is physically linked.

At present, we assume the amenity could include:

1. Several theme restaurants obviously geared to tourists but certainly serving the regional population as well. Theme concepts include native or pioneer experiences.
2. 1800's entertainment which could include a bar/dance hall and some sort of gaming (mock) format. This is an exciting part of Alaska's heritage and could be an enjoyable and rewarding experience.
3. Introductory booths to inform visitors (and locals) of Anchorage as well as Alaska amenities, events, tours, etc.
4. Travel and tour representatives.
5. Related tourist amenities.

The mission of the tourism amenity is to assure visitors are fully informed of things to see and do in Anchorage and Alaska. Properly done this facility will also augment the entertainment scene for visitors as well as locals.

Note: The tourist amenity will need to be finalized as other components of the Discover Alaska Center are detailed.

## SHIP CREEK ECONOMIC IMPACTS

Estimating the economic impacts of tourism is a difficult but necessary component of any project seeking public support or consensus. ERA has had considerable success and experience over the years on forecasting and estimating the impacts of various tourism programs.

For the Discover Alaska Center and early components of the Ship Creek project we have developed some preliminary impact estimates. The estimates utilize existing Alaska Division of Tourism data<sup>2</sup> and reflect the preliminary nature of the Ship Creek components at this time. ERA views these numbers as a guide to assist public sector and tourism decision makers in their review of the Ship Creek project. This important component of the project will be revised as further market research is completed and the overall concept is further refined.

### Discover Alaska Center 1992

As indicated in our report, the City of Anchorage currently has approximately 765,000 visitors per year (1990/91). If we assume the Center has a cost of \$30 million and that it would draw around 40 percent of the City's visitors it would have an attendance of 300,000 per year. Assuming an average per capital expenditure of \$20.00 indicates a gross income of \$6 million per year. Depending upon the eventual composition of the Center, a considerable portion of the gross income would be consumed by expenses, say \$3 to \$4 million. The probable inability of the facility to cover debt expenses is very common and is reflected by the fact that most projects of this type are publicly sponsored (i.e., loss leaders for tourism development).

A variety of mechanisms exist to fund the deficit of tourism generating projects and some discussion of these options is in the following section.

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<sup>2</sup> ERA believes the Alaska Division of Tourism data to be developed in a fashion acceptable to the tourist industry. It should be noted that visitors include all travelers to the state by non-Alaska residents (e.g., business, tourists, family, etc.).

The justification for sponsorship of a project such as the Discover Alaska Center will obviously vary with the entity being asked to provide resources. For example, City support would relate to construction and operating jobs as well as to City tax dollars generated. While an accurate assessment of economic impacts will need to wait until the project is further defined one obvious benefit will be in the form of expanded tourism. For example:

- Assume the earlier attendance figure for the Discover Alaska Center of 300,000 people per year (this is only a slightly higher penetration rate than that achieved at the Anchorage Museum).
- Assume further that as a result, 10 percent of the visitors extend their stay by one day = 30,000 additional visitor days and 20,000 additional hotel rooms rented.
- Assume 5 percent of the visitors decide to make a return visit = 15,000 people who stay approximately three days in Anchorage or 45,000 visitor days and utilize 30,000 hotel rooms.

Perhaps as important is the number of people who derive more enjoyment and satisfaction out of their visit and go back home and say so.

#### Discover Alaska Center 2002

An option to the above 1992 Center would be an expanded version (i.e., more facilities and features, upscale merchandise, larger, etc.). For this version we used \$50 million which would build a facility that visitors would not want to miss and would pay more to see. In this scenario we assume that 60 percent of our 765,000 visitors would attend for an attendance of 460,000. With an average per capita expenditure of \$30.00, a gross of just under \$14 million would be generated. Using our earlier assumptions, the visitor impact could be:

- Draw 460,000 of Anchorage's visitors per year;
- Fifteen percent of the visitors extend their stay by one day = 70,000 additional visitors, 46,000 additional hotel rooms rented; and
- Ten percent of the visitors make a return trip = 46,000 who stay three days in Anchorage or 138,000 visitor days with 92,000 hotel room nights.

The point of the above admittedly academic exercise is to illustrate the dramatic economic impact that can be generated by even a modest increase in Anchorage tourism. Local tourism people estimate the average visitor spends around \$500.00 during their Anchorage stay or approximately \$200.00 per day using a 2.5 day visit. If the Discover Alaska Center adds 75,000 visitor days (i.e., 1992 version), it will generate \$15 million per year in new Anchorage visitor expenditures. The 2002 version would generate \$41.6 million per year.

As the project is finalized, these impact numbers will be refined and documented.

### Hotel Occupancy

A rough assessment of the current hotel situation in Anchorage based on existing data and ERA's fieldwork and interviews is as follows:

- Current number of visitor quality rooms in Anchorage - 3,500 (out of a total of approximately 4,400 rooms);
- Current Anchorage visitors of around 615,000<sup>3</sup> people staying approximately three days at 1.5 people per room in Anchorage equals a need for 1,228,000 room nights per year. If Anchorage hotels operate at 65 percent, there would be currently a need for 5,200 rooms (i.e., at 75 percent it 4,485 rooms). In any event, it would appear current hotel occupancy in Anchorage is very healthy.
- While we did not evaluate existing room rates, our interviews suggest the full-service hotel rooms sell at a very healthy price, especially in season (e.g., in December we got a preferred rate at the Hilton of \$75.00. This room could go as high as \$125.00 during the summer months).

Any success in extending tourist visits to Anchorage would appear to put immediate pressure on the existing full-service hotels.

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<sup>3</sup> This does not include the local estimate of 150,000 Anchorage visitors per year who come from elsewhere in the state. While we are sure some do come, and do stay in hotels, there are no accurate figures.

More importantly, tourism is expected to increase by two to three percent per year over the next decade to a total number of Anchorage visitors of 792,000 by 2001. This projection, which appears realistic, does not consider the development of Ship Creek or the Discover Alaska Center. If we assume around 180,000 additional visitors to Anchorage and if they stay 2.5 days at 1.5 people per room, a demand for 300,000 hotel room nights will be generated. If we assume we are currently operating at near capacity (a reasonably safe assumption, especially in during the summer), Anchorage will need over 1,250 new hotel rooms. If the positive impacts of Ship Creek and the Discover Alaska Center are incorporated, this need for new full-service rooms is over 1,700. Incidentally, this same scenario indicates a demand for 800 new additional full-service hotel rooms by 1996.

# Alaska State Legislature

STEVE FRANK

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Senate

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## MEMORANDUM

TO: Senator Steve Frank, Co-Chair  
Senator Drue Pearce, Co-Chair  
Senate Finance Committee

FROM: David Skidmore

RE: Amendment #4 to Senate Bill 148  
(Alaska Railroad Corporation Bill)

DATE: 11 March, 1994

Senate Bill 148 will be heard by the Senate Finance Committee on Tuesday, March 15. This memorandum is to remind you of the proposed amendment that was under consideration by the committee when last the bill was heard.

As you know, SB 148 would in part bar the chief executive officer of the Alaska Railroad Corporation from serving as the ARRC Board of Directors member who is required by statute to have ten years of railroad management experience. As Mr. Robert Hatfield currently does hold both of these positions, passage of SB 148 would have rendered this situation illegal and untenable. Amendment #4 was drafted in order to provide for a transition period before this prohibition takes effect.

The terms of two members of the ARRC Board of Directors are scheduled to expire on October 3, 1994; these members happen to be Mr. Frank Chapados (who holds the Third Judicial District seat) and Mr. Loren Lounsbury (who holds the business owner seat). The amendment under consideration would require the governor--given the failure of either of these two members to continue to serve on the board for any reason--to appoint a person who satisfies the newly-combined membership requirement of either having ten years of railroad management experience or having been an executive official of a U.S. railroad.

Upon the appointment of a person who satisfies the newly-combined membership requirement, Section 7 of the Act would take effect and prohibit the chief executive officer from jointly occupying the railroad management experience seat.

CS FOR SENATE BILL NO. 148(FIN)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
 Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to legislative approval of certain acts of the Alaska Railroad  
 2 Corporation; relating to members of the board and chief executive officer of the  
 3 Alaska Railroad Corporation; and relating to meetings of the board of directors  
 4 of the Alaska Railroad Corporation."

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

6 \* Section 1. PURPOSE. This Act provides that

7 (1) the Alaska Railroad Corporation shall obtain approval of the legislature  
 8 before

9 (A) incurring debt, except in certain circumstances, in excess of  
 10 \$10,000,000 in a year or in excess of a total of \$50,000,000; or

11 (B) obtaining an equity position in certain nontransportation activities;

12 (2) the Alaska Railroad Corporation is authorized to acquire an equity position  
 13 in a proposed regional land fill;

14 (3) qualifications for appointed members of the board of directors of the

1 Alaska Railroad Corporation are amended:

2 (4) members of the board of directors and chief executive officer of the Alaska  
3 Railroad Corporation are subject to AS 39.50 (Conflict of Interest);

4 (5) certain members of the board of directors may not serve as chief executive  
5 officer of the Alaska Railroad Corporation;

6 (6) the chief executive officer of the Alaska Railroad Corporation may not be  
7 appointed to certain memberships on the board of directors and may not serve as chair or vice-  
8 chair of the board of directors;

9 (7) the board of directors of the Alaska Railroad Corporation shall provide for  
10 meetings of the board by teleconference;

11 (8) the next vacancy on the board of directors of the Alaska Railroad  
12 Corporation shall be filled by a person who has experience with railroad matters.

13 \* Sec. 2. AS 39.50.200(b) is amended by adding a new paragraph to read:

14 (55) the board of directors and the chief executive officer of the Alaska  
15 Railroad Corporation (AS 42.40.010).

16 \* Sec. 3. AS 42.40.020(a) is amended to read:

17 (a) The powers of the corporation are vested in the board of directors. The  
18 board consists of the commissioner of commerce and economic development, the  
19 commissioner of transportation and public facilities, and five members appointed by  
20 the governor. The five appointed members must be registered voters in the state  
21 except as provided in (1) [AND (2)] of this subsection. Except for the commissioners  
22 and the members [MEMBER] appointed under (2) and (5) of this section, a member  
23 may not be a state officer or employee. Appointed members shall have the following  
24 qualifications:

25 (1) one member of the board shall be a person who

26 (A) has at least 10 years of experience in railroad management;  
27 a person who is not a resident of the state may be appointed under this  
28 subparagraph: or

29 (B) is or has [PARAGRAPH;

30 (2) ONE MEMBER OF THE BOARD SHALL BE OR HAVE] been  
31 an executive official of a United States railroad and shall be selected in accordance

1 with any requirements imposed under 49 U.S.C. (Interstate Commerce Act); a person  
2 who is not a resident of the state may be appointed under this subparagraph  
3 [PARAGRAPH];

4 (2) one member shall be an executive officer of the corporation who  
5 represents the executive management of the corporation:

6 (3) at least one member shall be from each judicial district directly  
7 served by the Alaska Railroad;

8 (4) one member shall have at least five years experience as an owner  
9 or manager of a business in the state;

10 (5) one member shall be an employee who is a member of a bargaining  
11 unit representing employees of the corporation.

12 \* Sec. 4. AS 42.40.020 is amended by adding a new subsection to read:

13 (c) Members of the board are subject to AS 39.50.

14 \* Sec. 5. AS 42.40.060(a) is amended to read:

15 (a) The board shall elect from its membership a chair [CHAIRMAN] and  
16 vice-chair [VICE-CHAIRMAN] and prescribe their duties by rule. The chair or vice-  
17 chair of the board may not serve as the chief executive officer of the corporation.

18 \* Sec. 6. AS 42.40.110(a) is amended to read:

19 (a) The board shall appoint the chief executive officer of the corporation who  
20 serves at the pleasure of the board. A person appointed to the board under  
21 AS 42.40.020(a)(1) may not be appointed chief executive officer of the corporation.  
22 The chief executive officer of the corporation may not be appointed to the board  
23 under AS 42.40.020(a)(1). The chief executive officer of the corporation may not  
24 serve as chair or vice-chair of the board. The chief executive officer of the  
25 corporation is subject to AS 39.50. The board shall fix compensation for the chief  
26 executive officer.

27 \* Sec. 7. AS 42.40.150 is amended by adding a new subsection to read:

28 (d) The board shall provide for attendance and participation by members of the  
29 board by teleconference at meetings where the board will or may possibly take official  
30 action on behalf of the corporation. Materials that are to be considered at a meeting  
31 must be available at teleconference locations. The vote at a meeting held by

1 teleconference shall be taken by roll call.

2 \* Sec. 8. AS 42.40.285 is amended to read:

3 Sec. 42.40.285. LEGISLATIVE APPROVAL REQUIRED. Unless the  
4 legislature approves the action by law, the corporation may not

5 (1) exchange, donate, sell, or otherwise convey its entire interest in  
6 land:

7 (2) issue bonds:

8 (3) incur debt in an amount exceeding \$10,000,000 in any fiscal  
9 year or have at any time an outstanding aggregated debt exceeding \$50,000,000;  
10 this paragraph does not apply to debt incurred for the acquisition and  
11 maintenance of railroad rolling stock, locomotives, construction and maintenance  
12 equipment, track structure, and other railroad related physical plant;

13 (4) extend railroad lines; this paragraph does not apply to a spur,  
14 industrial, team, switching, or side track;

15 (5) [(4)] lease land for a period in excess of 35 years unless the  
16 corporation reserves the right to terminate the lease if the land is needed for railroad  
17 purposes;

18 (6) use assets of the corporation to obtain an equity position in a  
19 nontransportation activity; this paragraph

20 (A) does not apply to

21 (i) the purchase of stocks or other forms of equity  
22 participation by the pension funds of the corporation; or

23 (ii) specific activities in which the corporation is  
24 engaged on the effective date of this section of this Act, or to  
25 routine maintenance and upkeep for those activities or to routine  
26 appreciation in value of those existing activities;

27 (B) applies to increases in the corporation's respective share  
28 of equity in a specific activity in which the corporation is engaged on the  
29 effective date of this section of this Act and to substantial physical  
30 expansions of that activity.

31 \* Sec. 9. AS 42.40.980 is amended by adding a new paragraph to read:

1 (11) "nontransportation activity" means

2 (A) a hotel or other lodging facilities;

3 (B) an activity not directly related to the movement, handling,  
4 or distribution of people or personal property; or

5 (C) an activity occurring before, or subsequent to, the  
6 movement, handling, or distribution of people or personal property by the  
7 railroad, unless the activity

8 (i) was conducted by the railroad on the date of transfer  
9 to the state; or

10 (ii) is directly related to the movement, handling, or  
11 distribution of people or personal property.

12 \* Sec. 10. LEGISLATIVE APPROVAL. In accordance with AS 42.40.285(6), the Alaska  
13 Railroad Corporation is authorized to acquire an equity position in a regional land fill at mile  
14 388 of the Alaska Railroad or at Tutchaker Road west of Nenana.

15 \* Sec. 11. APPOINTMENT TO FILL VACANCY. Notwithstanding other provisions of  
16 law, the governor shall appoint a person who satisfies AS 42.40.020(a)(1)(A) or (B), as  
17 amended by sec. 3 of this Act, to fill the next vacancy on the board of directors of the Alaska  
18 Railroad Corporation.

A M E N D M E N T

OFFERED IN THE SENATE

TO: DRAFT CSSB 148(FIN) (Version X, dated 4/12/93)

Page 1, line 4, after "Corporation":

Insert "; and providing for an effective date"

Page 2, line 7, after "directors":

Insert "under certain circumstances"

Page 2, line 11, after "vacancy":

Insert "in certain positions"

Page 3, lines 18 - 26:

Delete all material and insert:

\*\* Sec. 6. AS 42.40.110(a) is amended to read:

(a) The board shall appoint the chief executive officer of the corporation who serves at the pleasure of the board. The chief executive officer of the corporation may not serve as chair or vice-chair of the board. The chief executive officer of the corporation is subject to AS 39.50. The board shall fix compensation for the chief executive officer.

\* Sec. 7. AS 42.40.110(a) is repealed and reenacted to read:

(a) The board shall appoint the chief executive officer of the corporation who serves at the pleasure of the board. A person appointed to the board under AS 42.40.020(a)(1) may not be appointed chief executive officer of the corporation. The chief executive officer of the corporation may not be appointed to the board under AS 42.40.020(a)(1). The chief executive officer of the corporation may not serve as chair or vice-chair of the board. The chief executive officer of the corporation is subject to AS 39.50. The board shall fix compensation for the chief

SENATE FINANCE  
COMMITTEE (4)  
Amendment Number: \_\_\_\_\_  
Bill Number: SB 148  
Sponsor: Franz Date: 4/15/93  
Logged In By: Ron

compensation for the chief executive officer."

Renumber the following bill sections accordingly.

Page 5. lines 13 - 16:

Delete all material and insert:

"\* Sec. 12. APPOINTMENT TO FILL VACANCY. Notwithstanding other provisions of law, the governor shall appoint a person who satisfies AS 42.40.020(a)(1)(A) or (B), as amended by sec. 3 of this Act, to fill the next vacancy that occurs on the board of directors of the Alaska Railroad Corporation that results from

(1) the governor not reappointing one of the members of the board who is serving, on the effective date of this section, as either the member from the third judicial district or the member with at least five years experience as an owner or manager of a business in the state, at the time that the term of either of these members expires; or

(2) one of the members of the board who is serving, on the effective date of this section, as either the member from the third judicial district or the member with at least five years experience as an owner or manager of a business in the state, resigning from the board, being removed from the board, or otherwise declining to continue to serve on the board.

\* Sec. 13. Section 7 of this Act takes effect upon the appointment of a person to the board of directors of the Alaska Railroad Corporation under sec. 12 of this Act who satisfies AS 42.40.020(a)(1)(A) or (B), as amended by sec. 3 of this Act. The governor shall certify to the revisor of statutes the date the appointment is made."

## DIVISION OF LEGAL SERVICES

### LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Juneau, Alaska 99801-2105

#### MEMORANDUM

March 16, 1994

**SUBJECT:** Interaction of SB 338 and SB 148 Regarding Legislative Approval of Bonds Issued by the Alaska Railroad Corporation

**TO:** Senator Steve Frank

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a discussion of the interaction between provisions of SB 338 and SB 148, regarding the legislative approval of bonds issued by the Alaska Railroad Corporation.

SB 338 (and CSSB 338(L&C)) authorizes the issuance of nonrecourse bonds by the Alaska Railroad Corporation for the acquisition and construction of the Northern Crossroads Discovery Center for the Ship Creek Landings Project. Sec. 1(a), SB 338. SB 338 satisfies the current requirement of AS 42.40.285 that the legislature approve by law the issuance of bonds by the Alaska Railroad Corporation. Id.

The draft CSSB 148(FIN), version I, amends AS 42.40.285 to require that the legislature must also approve the incursion of debt by the Alaska Railroad Corporation beyond certain annual and aggregate limits. Sec. 8, CSSB 148(FIN), version I. Specifically, the corporation must obtain legislative approval by law to incur debt of more than \$10,000,000 in any one year or more than a total debt of \$50,000,000. Debt incurred for the acquisition and maintenance of certain equipment and railroad related physical plant is exempt from the requirement for legislative approval.

If CSSB 148(FIN), version I, were enacted then the issuance of \$55,000,000 in bonds for the Northern Crossroads Discovery Center may be subject to two paragraphs of AS 42.40.285: first, paragraph (2) relating to issuance of bonds; and second, paragraph (3) relating to the incursion of debt in excess of \$10,000,000 in one year and in excess of a total of \$50,000,000. Sec. 8, CSSB 148(FIN), version I. SB 338, if enacted, probably would satisfy the requirement for legislative approval of the bonds for the Northern Crossroads Discovery Center under both requirements. Though SB 338 expressly states that it satisfies the requirement for legislative

Senator Steve Frank  
March 16, 1994  
Page 2

approval for the issuance of bonds but does not mention legislative approval for the corporation to exceed the limitations on debt imposed by SB 148, it is evident from SB 338 that the legislature approves the project and intends that the project go forward. The courts would probably find that legislative approval to exceed the debt limits established by SB 148 would be implied to the extent necessary to issue \$55,000,000 in bonds.

If both SB 338 and SB 148 are enacted, there is a potential for confusion and litigation over whether bonding for the Northern Crossroads Discovery Center would be subject to the new requirements for legislative approval for the incursion of debt under AS 42.40.285, as amended by SB 148. To minimize the potential for confusion and litigation, SB 148 should be amended to either (1) exempt projects approved by the legislature before the effective date of SB 148 from the debt limit provisions, (2) expressly approve the incursion of debt in the amount of \$55,000,000 for the Northern Crossroads Discovery Center, or (3) exempt projects such as the Northern Crossroads Discovery Center from the requirement that the legislature approve the incursion of debt for those projects. The appropriate language will resolve doubts as to whether the legislature approved the issuance of bonds and the incursion of debt by the Alaska Railroad Corporation for the Northern Crossroads Discovery Center in compliance with AS 42.40.285, as amended by SB 148.

If I may be of further assistance, please advise.

GU:mi  
94-062.mai

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### MEMORANDUM

March 16, 1994

**SUBJECT:** Legislative Approval of Alaska Railroad Corporation Bonds  
(SB 338)

**TO:** Senator Steve Frank

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have asked whether the enactment of SB 338 would constitute legislative approval for the issuance of bonds by the Alaska Railroad Corporation for the Northern Crossroads Discovery Center at the Ship Creek Landings Project.

The answer is yes.

Under AS 42.40.285(2), the Alaska Railroad Corporation may not issue bonds unless the issuance of the bonds is approved by the legislature by law. The enactment of SB 338 would constitute legislative approval by law for the issuance of bonds by the corporation for the Northern Crossroads Discovery Center at the Ship Creek Landings Project. Section 1(a) of SB 338 (and CSSB 338(L&C)) states: "This section constitutes legislative approval of the issuance of bonds by the Alaska Railroad Corporation, as required by AS 42.40.285."

Upon passage of SB 338 or similar legislation containing an express approval for the issuance of bonds for the Northern Crossroads Discovery Center, no further approval or action by the legislature would be necessary before the Alaska Railroad Corporation could issue bonds for the project.

If I may be of further assistance, please advise.

GU:pl  
94-212.plm

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March 16, 1994

BY FAX -

Senate Finance Committee  
State Capitol  
Juneau, Alaska 99801

Re: Potential State liability for bonds issued pursuant to the terms of CS  
for Senate Bill No. 338 (L&C) (Alaska Railroad Ship Creek Project)  
Our File No. 5323/0601

Honorable Members of the Committee:

During this morning's meeting of the committee, Eric Wohlforth was asked whether the State of Alaska might be liable for the repayment of bonds authorized to be issued if the above-referenced bill were enacted. A similar question was asked of me when the bill was before the Labor and Commerce Committee. Following this morning's meeting of the Finance Committee, Mark LoPatin asked me whether the requirement in the bill for a feasibility study might lead to some liability of the State for the bonds. I am preparing this letter at Mr. LoPatin's request for the purpose of setting forth our views relating to potential State liability for bonds issued under the authorization of this bill. In brief, we do not believe the State would have any liability for the repayment of bonds issued under the terms of the bill in its present form.

Section 1 of the bill authorizes the issuance of bonds and describes the bonds that are authorized to be issued as "special nonrecourse obligations of the Alaska Railroad Corporation payable only from the revenues and assets of the public or private entity that owns and operates the Northern Crossroads Discovery Center." This language is clear. It authorizes the issuance of bonds that are only payable from the revenues and assets of the entity that owns and operates the Northern Crossroads Discovery Center. Any effort to issue bonds that are payable from any other assets (including assets of the State of Alaska) would be beyond the authority granted by this language, and any such bonds would be invalid. Without more, I believe this language would prevent any attempt to issue bonds

WOHLFORTH, ARGETSINGER,  
JOHNSON & BRECHT

for which the State of Alaska could be held liable. However, there is more to the bill.

Section 4 of the bill requires that each bond issued under Section 1 contain on its face several statements, each of which strongly and plainly indicates that the bonds may not in any way pledge the assets of the State. Those statements are:

(1) the Alaska Railroad Corporation is not obligated to pay the bond or the interest on the bond except from the revenue or assets pledged for the bonds;

(2) neither the faith and credit nor the taxing power of the State of Alaska or of a political subdivision of the state is pledged to the payment of the bond; and

(3) the issuance of the bonds does not create a legal or moral debt of the State of Alaska and payment of the bond is not directly or indirectly dependent upon an appropriation by the Alaska State Legislature.

To my knowledge, these disclaimers are uniquely strong. It is difficult to imagine how they could be made stronger or clearer. A person who buys a bond with this language printed on the bond would be clearly informed that the State is neither legally nor morally obligated to use its assets to repay the bond.

The language of the bill describes, and only authorizes the issuance of, revenue bonds -- that is, bonds that are secured solely by the revenues of the project that it is issued to finance. It is possible to issue revenue bonds that do not obligate the State of Alaska, and the bonds authorized by this bill would be in that category. The requirement in the bill for a feasibility study, if it has any impact on their status, probably strengthens the argument that the bonds are revenue bonds. By requiring a feasibility study, the bill further emphasizes that the bonds are payable solely from revenues by requiring that there be a reasonable demonstration of the existence of such revenues before the bonds may be issued.

I hope this letter is helpful to the committee in its consideration of the bill. We are, of course, happy to assist further at your request.

Sincerely,



Kenneth E. Vassar

# Representative Kay Brown

ALASKA STATE LEGISLATURE

Josh

Legislative Information Office  
716 W. 4th Ave, #420  
Anchorage, AK 99501-2133  
(907) 258-8162

During Session  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4998

March 24, 1994

Mr. Mark LoPatin  
LoPatin and Company  
6960 Orchard Lake Road  
Suite 239  
West Bloomfield, Michigan 48322-9107

Dear Mark:

As we continue to consider the Anchorage Ship Creek development project, one aspect of your proposal that has created additional questions for me is the museum portion of the Northern Crossroads Discovery Center.

Your promotional booklet states that an agreement was signed on April 28, 1993 with the government of St. Petersburg. I would appreciate receiving a copy of the agreement. Is the agreement a binding contract that will be secure in future years, regardless of the changing positions of government officials or policy?

What are the terms of the agreement or contract? Will the project provide financial remuneration to St. Petersburg or the museum, or will St. Petersburg provide its museum exhibits to the Ship Creek project for free? What is the term (number of years) of the contract? Does the agreement cover the possibility that the Crossroads facility might close, or that St. Petersburg might withdraw its museum exhibits, prior to the end of the contract? Do you anticipate that a binding agreement with St. Petersburg will be necessary to obtain support for the bonds to construct the museum?

How will the museum exhibits be selected? Who will pay for shipping them? Have security measures been discussed? If so, who will be providing security and who will be liable for theft or damage? How will staff be selected for the museum? Will the staff be from St. Petersburg? If so, have visas, work permits, and housing for staff been discussed?

In general, public museums in our country are usually subsidized with public funds. Private museums depend upon admission fees along with intensive fundraising activities, corporate and private sponsors, and aggressive museum boards actively seeking contributions. What will be the financial plan for the St. Petersburg museum? If located here, will the museum be competing for Alaska art grants? Has any research been done on the impact

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Mr. Mark LoPatin  
March 24, 1994  
Page Two

this museum will have on the existing public museum in Anchorage? Can Anchorage sustain two museums of this magnitude, considering the existing museum is already subsidized with public money for its operating and capital expenses? (For example, the Municipality of Anchorage has requested \$710,000 in capital expenditures for the Anchorage Museum in its FY'95 highest priority capital projects list. On the operational side, 34% of the museum's budget comes directly from government funding.)

When I last saw you recently in Juneau, you presented me with a black, hard-covered binder about the Northern Crossroads Discovery Center. In that document you mention preliminary discussions with the Smithsonian Institute and the Anchorage Museum of History and Art and state that "indications are Northern Crossroads will display material from the Smithsonian collection...In addition, we expect the Smithsonian to locate an Arctic Study Research Center at Ship Creek Landings, thus, bringing research personnel to Northern Crossroads in Anchorage." However, it is my understanding that the Arctic Studies Center (arranged through the Anchorage Museum and the Smithsonian) is scheduled to open in the Anchorage museum in the spring of 1994. Please clarify the discrepancy in the location. Additionally, the placement of the Arctic Studies Center in Alaska is based on a five-year agreement (between the Smithsonian and the Anchorage Museum), and can be renewed.

Thank you for taking the time to respond to these questions.

Sincerely,



Representative Kay Brown

# SHIP CREEK CROSSING DEVELOPERS, INC.

APR 4 1994

March 29, 1994

Representative Kay Brown  
Alaska State Legislature  
716 W. 4th Ave., #420  
Anchorage, Alaska 99501-2133

Dear Representative Brown:

My brother Mark has asked me to respond to your letter dated March 24th regarding the museum portion of the Northern Crossroads Discovery Center.

I have been responsible for the negotiations with the government of St. Petersburg and have made several trips to Russia to meet with the principals of the participating Russian museum entities and government officials.

In all candor, I can only answer your questions in general terms for several reasons. First, the Northern Crossroads Discovery Center is not seeking nor shall it utilize any public subsidies for the operation of the museum and therefore, as a private concern, it is our policy not to release any information regarding contracts and/or proprietary information regarding any of our projects. Second, some of the questions you have asked are questions of detail which we have not as yet addressed i.e., visas and housing for Russian staff members of the museum, who will be providing security and how will the museum works be selected.

In general terms, however, I can state that, as is true with all good agreements, both sides benefit from its performance. The Russian museums have every reason to facilitate and honor this agreement no matter what government is in place, and the Ship Creek Landing's Development benefits by receiving a museum quality collection of artifacts depicting the life and times of Russian explorers in Alaska that heretofore has never been seen outside of Russia.

The agreement is for a twenty (20) year term with options to renew and provides for all the safeguards discussed in your letter including security, theft, damage and default by either party. I will comment, however, that the signers of the agreement have agreed to have all disputes which may arise out of the performance

**6960 Orchard Lake Rd., Suite 239, West Bloomfield, Michigan 48322  
Tel. (313) 737-9944 Fax. (313) 737-9947**

of the agreement subject to American court jurisdiction.

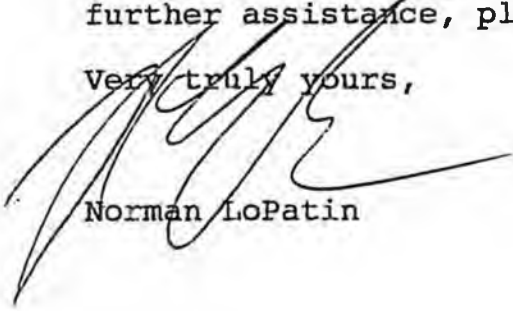
As we have continuously stated in the past, we believe that the collection we will bring is complimentary to existing collections in Anchorage and will only enhance attendance and the appreciation of Alaska's unique history by visitors.

As to your concern regarding competition for Alaska art grants I can assure you that the museums of St. Petersburg will not be seeking any grants from these programs.

Finally, your comment about our brochures inaccurate statements about the Smithsonian have been eliminated from our newest edition and I apologize for any confusion this may have caused.

I hope this answers some of your questions and if I can be of any further assistance, please do not hesitate to contact me.

Very truly yours,



Norman LoPatin

# Alaska State Legislature

Senator Tim Kelly, Chair  
Senator Steve Rieger, Vice Chair  
Senator Bert Sharp  
Senator Judy Salo  
Senator Georgianna Lincoln



STATE CAPITOL SUITE 101  
JUNEAU ALASKA 99901-1192  
PHONE (907) 465-3822  
FAX: (907) 465-3756

## SENATE LABOR AND COMMERCE COMMITTEE

716 W 4TH SUITE 400  
ANCHORAGE, AK 99501-2133  
PHONE (907) 258-8180  
FAX (907) 258-4524

### MEMORANDUM

**TO:** Senator Tim Kelly, Chair

**FROM:** Josh Fink, Committee Aide

**DATE:** April 25, 1994

**RE:** CS SB 338 (FIN), Non-recourse Revenue Bonds for the Northern Crossroads Discovery Center at Ship Creek

-----

Following is a sectional analysis of CS SB 338 (FIN):

#### Section 1:

(a) Authorizes the sale of \$55 million in revenue bonds by the Alaska Railroad Corporation (ARRC) for the construction and acquisition of the Northern Crossroads Discovery Center in the Ship Creek Landings if, after a feasibility and financial viability study required by Section 2, the board of directors of the ARRC determines the project is feasible and financially sound.

(b) Authorizes the ARRC to loan the money to a public or private entity that it considers appropriate to acquire, design and construct the facility. In addition, this section authorizes the ARRC to enter into lease agreements with that entity to provide for and secure payment of the loan made from the bond proceeds.

(c) Provides that notwithstanding AS 42.40.630 and 42.40.640, Payment of bonds and Security for bonds, these bonds are special non-recourse bonds payable only from the revenues and assets received by the ARRC from the entity that owns and operates the facility. Moreover, this section expressly prohibits the ARRC from utilizing any other financing or financial vehicle of the corporation for payment of the bonds except from revenues and assets received from the owning/operating entity of the facility.

Memo to Sen. Kelly  
Sectional Analysis CS SB 338 (FIN)  
April 25, 1994  
Page 2

Section 2:

Requires a feasibility and financial viability study of the project to be performed by a person/business selected by the ARRC and paid for by the potential developer. Upon receipt of the study, the ARRC board of directors shall determine if the project is feasible and financially viable.

Section 3:

Requires that before construction on the project begins, the developer post a payment and performance bond in favor of the ARRC to assure completion of the project.

Section 4:

Requires a statement on the face of each bond that indicates that 1) The ARRC is not obligated to pay the bond or interest except from the revenues and assets received by it from the owning/operating entity; 2) Neither the faith and credit nor the taxing power of the State of Alaska or of a political subdivision is pledged to the payment of the bond; and 3) The issuance of the bonds does not create a legal or moral obligation of the state and payment of the bond is not directly or indirectly dependent upon an appropriation by the legislature.

Section 5: Immediate effective date.

# SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

DATE: 2/22/94

FURTHER: Finance

Date of 5-Day Notice: 2/24/94  
(in accordance with Uniform/Rule 23)

DATE TURNED INTO OFFICE: 3/2/94

L&C Committee considered SB 338

Issuance of revenue bonds for acquisition and construction of the Alaska Discovery Center for the Ship Creek Project in Anchorage; relating to a study of the feasibility and financial viability of the Alaska Discovery Center; relating to construction of the Alaska Discovery Center; efd.

and recommends:

replace with \_\_\_\_\_ CS SB 338 (LTC)  same title  
 attaches amendment(s)  new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

### FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
SB&CS DEPT. OF REVENUE	2/28/94	✓	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS:

Don Thompson NR  
Steve Kelly No Recommendation  
Judith E. Saylor (No Rec)  
Dan Johnson NR

Tom Kelly - Do Pass

Chair: Signature and Recommendation

# Alaska State Legislature

1 Senator Tim Kelly, Chair  
Senator Steve Rieger, Vice Chair  
Senator Bert Sharp  
Senator Judy Salo  
Senator Georgianna Lincoln



STATE CAPITOL, SUITE 101  
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Memo to Sen. Kelly  
Sectional Analysis CS SB 338 (FIN)  
April 25, 1994  
Page 2

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Section 5: Immediate effective date.

**Bullets on SB 338:**  
**Revenue Bonds for the Northern Crossroads Discovery  
Center at Ship Creek Landings**

\*The Alaska Railroad Corporation (ARRC) has unique and rare federal authorization to issue non-recourse tax-exempt revenue bonds for private as well as public interests.

\*SB 338 authorizes the ARRC to sell \$55 million in non-recourse revenue bonds to be loaned to a public or private entity for the acquisition, design and construction of Northern Discovery Center at Ship Creek Landings if the following conditions are met:

- The potential developer pays for a feasibility and financial viability study to be performed by a person/business selected by the ARRC
  
- The ARRC board of directors reviews the feasibility study and determines the project is viable

\*Payment of the bonds and interest is made solely with assets and revenues received from the owner/operator of the facility, and the ARRC is prohibited from using any other financing or financial vehicle to repay bonds.

\*On the face of each bond a statement will indicate that the ARRC is not obligated to pay the bonds or interest except from revenues and assets it receives from the owner/operator of the facility; that neither the faith or credit nor taxing power of the state or a political subdivision is pledged towards bond payment; and the issuance of the bonds does not create a legal or moral obligation of the state, nor is dependent on an appropriation from the Alaska Legislature. The success or failure of this project in no way should affect the ARRC, the state, or political subdivision's bond rating.

\*Prior to the start of construction, the developer must post a payment and completion bond in favor of the ARRC.

## THE NORTHERN CROSSROADS DISCOVERY CENTER

The purpose of this informational package is to introduce you to the Northern Crossroads Discovery Center at Ship Creek Landings. We believe Ship Creek Landings is one of the most important real estate developments in Alaska today. Its centerpiece will be the 250,000-square-foot, multi-attraction, tourist-oriented Northern Crossroads Discovery Center. This center will be a unique, multi-dimensional medium that will reach a very attractive market in a variety of ways. The Northern Crossroads will offer a total entertainment environment with facilities and services that will appeal to a wide spectrum of the population. The audience will consist of the educated, well-to-do one million annual visitors and area residents and their families, who will attend the center year round.

The Northern Crossroads Discovery Center will have three entertainment/educational attractions. The themes of the three attractions include: 1) **Natural Wonders of Alaska**; 2) **History and Cultural Diversity of Alaska**; and 3) **Museums of St. Petersburg**.

Each of these attractions will be discussed individually. In this regard, it should be kept in mind that in addition to the three attractions, throughout the Discovery Center there will be demonstrations, crafts, special events, displays, and entertainment promoting Alaska, it's attractions, and natural wonders. Thus, making the Northern Crossroads Discovery Center both an attraction and a promotor of other statewide attractions. As will be discussed later, an independent preliminary market analysis has estimated the benefit of the Discovery Center to the Anchorage economy will approach \$42 Million annually. Yet, less tangible, but equally important is the promotional value to the state. That said, the specifics of the Discovery Center are:

## NATURAL WONDERS OF ALASKA

The vast panoramas, the fascinating wildlife, the exceptional way of Alaskan life will all be explored in a larger than life 20 to 25-minute Omnimax film. For those readers who may not be aware, the Omnimax format utilizes panoramic, wide angle photography, ideal to depict the scenic beauty of Alaska. The screen, rather than flat, is actually a dome above the audience. In addition, the field of view is so large, that the pictures actually extend beyond the viewer's peripheral vision. In effect the picture literally surrounds the audience and creates the illusion of almost entering the scene. In order to make this experience even greater, the theater will be designed to accept the latest in technology, such as 3D, so that it has the capacity for the widest possible scope of films and formats. This will give the theater tremendous flexibility for shoulder (non-peak) season programs and special events.

An Omnimax format was chosen because no other large screen projection system can come close to Omnimax in terms of impact. Because part of the mandate for the attraction is to portray Alaska's scenic beauty and wildlife in a dramatic manner, a strong visual medium is essential. Omnimax fulfills this need extremely well. The extra technical elements will be added to differentiate it from any other local experience. In addition, the Omnimax format and an existing library of films mean that the theater can be active throughout the non-peak periods by bringing ever-changing movies to the Anchorage community.

The types of scenes included in the Discover Alaska movie may include:

- o Iditarod race from the back of a dogsled.
- o riding an ice floe in Glacier Bay

- o helicopter views of Mount McKinley
- o salmon jumping upstream directly at the camera
- o Northern Lights
- o winter storm on snip in Bering Straits
- o trans-Alaska pipeline
- o gold mining
- o Alaska Railroad ride to Seward
- o island hopping in a float plane
- o riding in an oomiut - a genuine walrus skin boat
- o flying through the Valley of 10,000 Smokes to see the lunar-like pumice landscape
- o close up action of a brown bear on Kodiak Island
- o touring old Russian outposts in Alaska

The Omnimax film of Alaska will be distributed to theaters in the Lower 48 and abroad where it will be used in presentations that either subtly or overtly promote travel to Alaska. We believe that properly marketed, a road show of the film and Alaska exhibits could be a highly successful activity. The program could be linked both to science museums and private theaters.

## THE HISTORY AND CULTURAL DIVERSITY OF ALASKA

This attraction will be two separate shows. Visitors will first enter the pre-show area in groups of no more than 200 people. This space has lean rails and a raised front screen on which an approximately 8-minute laser light show will appear. This production will give the viewer a realistic representation of the Northern Lights. It will simultaneously explore various Native legends regarding this phenomenon.

The visitors will then proceed into the main theater which has ten rows of lean rails, each with capacity for twenty people. The rows are steeply built so that everyone has a clear view of the main stage.

The lights dim and we see, in a half light, a robed, partially hooded figure standing on a bare stage. The robe does not give us any hints as to the origin of the figure. He begins to speak in a soft, deliberate voice and slowly moves about the stage. He tells us that he is seeking to explore the origins of the Alaska people and he invites us to join him on his journey.

He then proceeds to tell us a legend from each of the main contributing cultures. There are 4 or 5 legends, all between 1 and 2 minutes in length. As he begins each one, he raises his arms and the legend comes to life holographically on the stage with people, props, and settings. The style of the legends will be particularly suited to the individual stories but they will all feel mystical with appropriate lighting and sound.

The host watches each legend play out and after the last one he tells us that this is only part of his journey. As he says this, he slowly lowers his hood and we see that he is not human, but alien. He tells us that he must now explore the future and that we cannot go

with him, yet. There is a flash of light and an ascending, bright, pulsing beam as he totally disappears.

As the bright light fades, we hear his voice echoing, "Good luck fellow travelers - we will meet again in the future."

The theater lights slowly come up as the show ends.

## **MUSEUM**

Northern Crossroads, in recognition of the site's place in Alaska's history, will showcase a museum. The development's name, in fact, Ship Creek Landings, was the name used by the first Anchorage residents.

To promote the history and cultural diversity of Alaska and Anchorage, the third pavilion will be a world class hands-on museum. On April 28, 1993 an agreement was signed with the government of St. Petersburg, Russia in which they will open a permanent annex of their Russian-Alaskan materials collected from four of the most famous Russian museums. This will be the first foreign museum on U.S. soil. In addition to an exhibition, the agreement provides for educational seminars, outreach programs, and traveling shows. This would attract personnel from the international community as well as U.S.

## **OTHER ATTRACTIONS**

In addition to the aforementioned pavilions, the Northern Crossroads Discovery Center will have smaller entertainment and educational components throughout the site. There will be hands-on exhibits, demonstrations, craft exhibits, entertainers, etc. The Anchorage Museum of History and Art has indicated an interest in locating an Explorer Park at the Center. This park will highlight a part of the area's history. From Captain Cook to Vancouver, exhibits will illustrate Anchorage's powerful history.

## **INFORMATION AND RESERVATION CENTER**

In addition, there will be a visitor component which will introduce tourists to the opportunities available in the state, from restaurants to boat tours. Thus, by

establishing the Northern Crossroads Discovery Center as an information and reservation center, tourists should make the center one of their first stops.

## SUMMARY OF DEVELOPMENT TEAM

What follows is a brief description of those comprising the development team of the Northern Crossroads Discovery Center. It is with no false sense of modesty that we state that the team described below, both in terms of its creative vision and its practical experience, is clearly capable of realizing the full potential of the Northern Crossroads project.

### LoPATIN & CO.

LoPatIn & Co. has been actively involved in real estate development for the past 40 years. Since the development estimates were first compiled by Crain's Detroit Business, the company has been consistently ranked as one of Michigan's largest development companies.

Projects have ranged from high speed oval automobile racetracks to amusement parks. Geographically, the firm has traveled from Florida to Michigan, Texas to California. Recent developments include a 1.2 million square foot industrial park, hotels, office buildings, and manufactured home communities.

Notwithstanding its size, the area of which the company is most proud concerns its reputation with the local municipalities and government agencies with whom it has worked. These relationships have been very helpful in shepherding difficult projects through the burdensome approval process. Examples include the only development in Southfield, Michigan in which the City took an active role in acquiring, consolidating, and financing property for a private development. In addition, the company has been

selected by several governmental units to develop community projects ranging from a mixed use office development to a municipal conference and exposition center.

#### **FORREC LTD.**

Forrec Ltd. is a Toronto-based consulting firm with 30 years of experience, providing a full range of planning, design, construction and operation services to the leisure and entertainment industry. Since the firm's establishment, Forrec Ltd. has gained an international reputation for design excellence and efficient performance.

The firm represents the very best design skills in the industry and, therefore, has been selected to consult on major projects throughout the world. Some of these include the West Edmonton Mall and the International Leisure Complex, St. Petersburg, Russia. Forrec has recently completed the master planning, design, contract documentation and construction supervision for all facade and area development at MGM/Universal Studios, Florida as well as the program development, master planning and design for "Fiesta Texas", located in San Antonio, Texas, the first major U.S. theme park to be developed in a decade.

Other works in progress include conceptual master plans for railway lands in Chicago and Milwaukee, conceptual and attraction design for the K.I.A. Motors pavilion at the 1993 Taejon World Fair in Seoul, Korea, native resort development for the Chippewas of Rama, Ontario, Canada, masterplan and attraction design for Ocean Park, Hong Kong and design advisors to special theme application of the new Treasure Island Casino, Las Vegas.

#### **HELLMUTH, OBATA & KASSABAUM**

Hellmuth, Obata & Kassabaum, Inc., is a full-service architectural organization with more than 30 years of experience. Its diversified practice includes comprehensive architectural and engineering services, and a wide range of related disciplines from computer systems planning to the development of master plans. HOK has a staff of over 1,000 professionals experienced in a wide variety of assignments for major corporations, developers, federal, state, and local governments, hospitals, colleges and universities. They have worked throughout the United States, in Canada, the Caribbean, Central and South America, Europe, the Middle East, and Asia. HOK is recognized as one of the premier, as well as one of the largest, design firms in the United States.

Since 1970 HOK has done over fifteen projects in Alaska including the State Capital Site Selection Study, the University of Alaska Master Plan, the BP Exploration Alaska Inc. Corporate Headquarters, the ARCO Prudhoe Bay Operations Center Living and Recreational Center, and the Trans Alaska Pipeline Environmental Analysis.

HOK is responsible for major award-winning projects such as the National Air and Space Museum, the King Khaled International Airport, and the Houston Galleria, Houston, TX.

#### **ECONOMICS RESEARCH ASSOCIATES**

Since its first study for Walt Disney Productions more than 30 years ago, Economics Research Associates (ERA) has evolved into one of the largest diversified real estate consulting firms and has completed more than 3,000 assignments related to recreation and tourism. The world's oldest and largest management consultant firm to the leisure industry, ERA has pioneered the planning, development and operational phases for many of the world's major recreation, entertainment, education and tourist attractions.

Recreation and tourism related projects have included theme parks, zoos, aquariums, museums, expositions and fairs; specialty entertainment facilities and individual recreation facilities and clubs. Notable clients have included Walt Disney World, Six Flags, Knott's Berry Farm, Opryland, U.S.A., National Aquarium in Baltimore, and the Los Angeles Olympics Organizing Committee.

## VISITORS PROFILES

In April 1992, Economics Research Associates completed a report dealing with the Northern Crossroads Discovery Center concept. In it, visitors to Alaska were profiled. Because of some of the unique characteristics of these visitor groups and their tremendous impact on the Anchorage and Alaskan economies, certain facts should be highlighted here. For the reasons discussed below, sponsorship efforts to these targeted groups should be particularly effective.

### THE TARGETS

Nearly 70% of those non-residents who visit Alaska spend some time in Anchorage. In turn, nearly 70% of these visitors can be described as pleasure visitors. While the vast majority of visitors to Alaska arrive from the Lower 48 (86%), the percentages of visitors arriving from Canada, Europe and the Pacific rim are clearly rising. In fact, the number of international visitors has increased by nearly 25% in the past three years. These trends show that the Alaskan market is broadening as it grows and that most of the new visitors are coming from new markets. With respect to the Alaskan visitor, the average age has dropped from 54 in 1985 to 50. The average visitor income, during that same period, has increase to \$59,000. In short, the Alaska pleasure visitor, given their maturity, education and wealth, would appear to be an ideally receptive audience for sponsor messages.

### THE BUSINESS VISITOR

Approximately 30% of the visitors to Alaska arrive on business. Nearly a third of these persons, however, describe the purpose of their trip as both business and pleasure. In

Anchorage, the average visitor is 47 years old. Inasmuch as the Northern Crossroads Discovery Center will combine food and entertainment services along with a physical connection to both a hotel and conference center, the penetration rate for the Anchorage business traveler should also be high.

### THE ANCHORAGE POPULATION

Anchorage's population differs significantly from the U.S. norm in terms of age and education. The community is characterized by a low median age and a highly educated, career oriented workforce. In 1987, the median age in Anchorage was 28.4, compared to the U.S. average of 31.5. Fifty-five percent (55%) of all adult residents have completed one year of college. This compares to only 35% nationwide.

As the median age falls squarely within the baby boom generation, young and growing families are clearly the norm. In fact, 40.6% of the population is between the ages of 25 and 44. This compares with 32.5% nationwide. The Anchorage school district is currently experiencing record enrollments which now exceed 44,000 students.

In addition to youth and education, Anchorage also distinguishes itself in the areas of per capita and household income. The average per capita income in Anchorage is 141% of the national average. Moreover, due to the high percentage of women in the work force, (74.4% of Anchorage women are employed) the typically combined household incomes create a tremendous amount of disposable income. Thus, wholly independent of the visitor market, sponsorship of the Northern Crossroads Discovery Center will offer a unique opportunity to reach the Anchorage resident in a positive and entertaining way.

Lo Patin Lease  
1<sup>st</sup> Nine Page

GROUND LEASE

THIS GROUND LEASE (herein called "this Lease") is made on the day executed by the last signatory hereto, by and between the ALASKA RAILROAD CORPORATION (herein called "Lessor"), a public corporation created pursuant to AS 42.40, whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500, and SHIP CREEK CROSSINGS DEVELOPERS, INC., an Alaska corporation (herein called "Lessee"), whose mailing address is 3000 Town Center, Suite 1000, Southfield, Michigan 48075.

Recitals

A. The Lessor has agreed to lease to Lessee approximately 37 acres of land located in the Alaska Railroad Anchorage Terminal Reserve on the south side of Ship Creek. The parcel is within the 120-acre area generally known as the Ship Creek Redevelopment which was the subject of a Request for Proposal issued by the Anchorage Economic Development Corporation in January, 1990. Up to 25 additional acres that are currently leased to the Municipality of Anchorage at Ship Creek Point may subsequently be added to the leased premises.

B. Lessee will act as a master developer for the property consistent with the terms of this Lease and a development agreement to be negotiated between Lessor and Lessee. Lessee's master development plan must consider the entire 120 acres which constitute the Ship Creek Redevelopment area, and Lessee will coordinate development within the leased premises with activities on the adjacent acreage.

C. Lessee is required under this Lease to bring substantial development projects to the property, which may include a hotel/conference center, tourist oriented specialty shops, commercial offices, a residential component, and public amenities such as a world class aquarium or planetarium.

D. The intent of Lessor in issuing this Lease is to develop new markets for both tourists and residents of Alaska, rather than relocating existing tenants and commercial enterprises already established in the Anchorage area.

ARTICLE 1

LEASED PREMISES AND TERM

1.01 Leased Premises. Lessor, for and in consideration of the rents, covenants and conditions hereinafter specified to be paid, performed and observed by Lessee, hereby leases to Lessee, and Lessee hereby leases from Lessor, the land situated in the Anchorage Recording District, Third Judicial District, State of Alaska, more particularly described on Schedule 1 attached to and for all purposes made a part of this Lease, together with all rights, easements, privileges, both subterranean and vertical, and appurtenances attaching or belonging to the described land, but subject to the reservation contained in paragraph 1.02 hereof (herein called the "Leased Premises").

This Lease is subject to certain existing leases and permits respecting the Leased Premises, as specified in Exhibit A. Two of such leases, Contract No. 4270 with Dresser Industries as lessee, and Contract No. 1664 with Consolidated Freightways as lessee, are being assigned by Lessor to Lessee concurrently with execution of this Lease. The land area within such two leases is included within the 37 acres described in Schedule 1. Upon expiration or earlier termination of each of such leases, the real property affected thereby will become a part of the Leased Premises and governed thereafter by the terms of this Lease. To the extent noted on Exhibit A, the other existing leases and permits may be terminated by Lessor, at Lessee's request, before June 1, 1992 and the affected property made available to Lessee.

The Leased Premises may be expanded after execution of this Lease, in the event Lessor and the Municipality of Anchorage complete certain on-going negotiations in a manner that makes a portion of the Municipality's Ship Creek Landing lease, Contract No. 5920 available to add to the Leased Premises. Lessor will exert good faith efforts to successfully conclude such negotiations. Lessor and Lessee agree that in such event, Schedule 1 shall be amended to include such additional acreage (currently estimated to be approximately 25 acres) and such property shall be governed by the terms of this Lease.

1.02 Reservation of Minerals. All oil, gas, coal, geothermal resources and minerals of whatever nature in or under the above-described land are excluded from the Leased Premises and reserved to Lessor. Notwithstanding the foregoing, Lessee shall have the right, subject to the terms of this Lease, to use earth materials on or in the above-described land to a depth not to exceed twenty (20) feet below the surface, and to move and recontour such materials on the Leased Premises. During the term of this Lease, Lessor shall not have the right to enter on the surface of the Leased Premises, without Lessee's prior consent, for the purpose of mining and/or extracting such oil, gas, coal, geothermal resources, or other minerals and shall not mine and/or extract the same by any means at a depth less than twenty-five (25) feet below the surface of the Leased Premises. If Lessor mines and/or extracts such oil, gas, coal, geothermal resources, or other minerals, the mining and/or extraction shall not interfere with Lessee's business and activities on the Leased Premises, parking or access to the Leased Premises.

1.03 Improvements Owned by Lessor. The following described improvements ("Lessor's Improvements") are situated on and are a part of the Leased Premises and are and shall remain throughout the term of this Lease the property of the Lessor:

All fill, retaining walls, berms, earth contours, and all other below-surface improvements situated on the Leased Premises on the date of this Lease; excepting however, any utility service connections and any underground storage tank(s) on the Leased Premises or appurtenances to such tank(s).

Any subsurface improvements to the Leased Premises during the Lease Term shall become the property of Lessor (and included within the term "Lessor's Improvements") immediately upon installation, except underground storage

rank(s) (and their appurtenances) and utility service connections, which shall be and remain the sole property of Lessee. Any such subsurface improvements shall be eligible for rent credits pursuant to the criteria set forth in paragraph 2.04, regardless of their ownership under this paragraph 1.03.

Lessor is also the owner of certain trackage located on the Leased Premises, and shall remain the owner thereof regardless of any subsequent relocation, except as otherwise agreed.

1.04 Improvements Owned by Lessee. There are no above surface improvements on the Leased Premises which belong to Lessee at the commencement of this Lease. Lessee's improvements shall include any above surface improvement constructed or placed on the Leased Premises by Lessee (or Lessee's assigns and/or sublessees) during the term of this Lease ("Lessee's Improvements").

1.05 Lease Term. This Lease shall be and continue in full force and effect for a term of five (5) years (the "Lease Term") commencing as of March 1, 1992, and terminating on February 28, 1997, unless earlier terminated as provided in this Lease.

1.06 Option to Extend.

A. Lessee may, at Lessee's option, extend the term of this Lease for up to two additional lease terms not to exceed five (5) years each, subject to all the provisions of this Lease, including but not limited to provisions for adjustments to and variations in rent and the provisions of subparagraph B below.

Lessee may, at Lessee's election, assign this option in whole or in part at any time and from time to time to any one or more Qualified Subtenants, Assignees, or Mortgagees as those terms are hereinafter defined, and may give any such Subtenant, Assignee or Mortgagee, with or without such assignment, power of attorney to exercise such option.

B. Lessee's right to extend the Lease Term is subject to the following conditions precedent:

1. In order to exercise its option for the second 5-year term (the first extension period), Lessee must have accomplished development projects (evidenced by the issuance of certificates of occupancy during the original 5-year term to either Lessee, its sublessees and/or assigns) whose cumulative value is \$2 million, in addition to the development requirements contained in paragraph 4.01.C. In order to exercise its option for the third 5-year term (the second extension period), Lessee must have accomplished development projects (evidenced by the issuance of certificates of occupancy during the second 5-year term to either Lessee, its sublessees and/or assigns) whose cumulative value is \$5 million.

2. The Lease shall be in effect at the time notice of exercise is given and on the last day of the original Lease Term; and

3. Lessee shall not be in material default under any provision of this Lease at the time notice of exercise is given or on the last day of the term; and

4. Lessee shall have given Lessor written notice of its exercise of the option, which shall be irrevocable, not more than 365 days nor less than 90 days before the last day of the original Lease Term.

C. The phrase "Lease Term" as used in this Lease shall mean and refer to the original 5-year term hereof and any extended term (in the event Lessee exercises one or both of its option to extend). The phrase "extended term" is used from time to time herein to refer solely to either or both of the 5-year additional terms created if Lessee exercises the option provided under subparagraphs 1.06.A and B.

D. If during the course of this Lease Term or either of the extended terms, Lessee is prepared to commence construction on any of the development projects contemplated by this Lease, Lessor and Lessee agree to enter into good faith negotiations towards the execution of a new ground lease with either Lessee or its proposed assignee for that portion of the Leased Premises to be developed. It is anticipated that said ground leases shall not extend beyond two (2) successive thirty-five (35) years terms, it being understood that the extended term(s) in each instance shall be tailored to the specific projects and need not be the same term for each specific project.

1.07 Termination For Railroad Use. In accordance with Alaska Statute 42.40.285(4) (the Alaska Railroad Corporation Act), Lessor reserves the right to terminate this Lease or any successor lease as contemplated by paragraph 1.06.D at any time after thirty-five (35) years if the Premises are needed for railroad purposes, which are defined solely for purposes of this paragraph 1.07 as being for track right-of-way of customary width. This entire Lease (or entire successor lease) may not be terminated unless Lessor determines in good faith that so much of the Leased Premises are needed for railroad purposes that the purpose of this Lease (or specific successor lease) cannot reasonably be satisfied. In the event of such termination, Lessor shall compensate Lessee only for the fair market value of Lessee's Improvements as of the date Lessor gives Lessee notice of such termination. Fair market value of Lessee's Improvements shall be agreed to by the parties or determined as set forth in Article 8 of this Lease.

ARTICLE 2

RENTS

2.01 Rents. Lessee shall pay the following rents to Lessor in legal tender of the United States of America, without deduction and without notice or demand, net of all real property taxes, assessments, and other charges required to be paid by Lessee under this Lease with respect to the Leased Premises, and in equal monthly installments in advance on or before the first day of each calendar month during the Lease Term, with partial periods prorated on a daily basis. Both Initial Rent and Project Rent, as hereafter defined, are referred to elsewhere in this Lease as "Basic Rents."

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To	M.H.	From	PJ
Co.		Co.	
Dept.		Phone #	
Fax #		Fax #	

A. Initial Rent. Rent payable at the outset of this Lease and without any adjustment as hereinafter provided is known as "Initial Rent." For Lease years 1-5 inclusive, Initial Rent will be Thirtv-Seven Thousand Dollars (\$37,000), subject to the provisions of paragraph 2.01.B below. The parties agree that this figure represents rent of \$1,000 per acre for the 37 net usable acres within the Leased Premises.

Initial Rent will be payable for the net usable land released from the Municipality of Anchorage's current Ship Creek Point lease and made available to Lessee for development as described in paragraph 1.01, commencing June 1, 1993 or at such later date as such land is so released from the municipal lease. The parties presently contemplate that less than twenty-five (25) acres will become so available. Initial Rent shall be payable at the rate of \$1,000 per acre until such time, if ever, any portion of this former municipal lease acreage becomes the site of a development project. Then and in such event, Project Rent will be payable in accordance with subparagraph 2.01.B.

B. Project Rent. Initial Rent as provided in subparagraph 2.01.A will be adjusted from time to time in the following manner with respect to any specific portion of the Leased Premises upon which a component of Lessee's development project becomes situated. After such adjustment, such rental will be known as "Project Rent."

1. Initial Rent will be paid at the rate set in subparagraph 2.01.A until the date a certificate of occupancy (or equivalent) is issued.

2. As of the date such certificate is issued, rent for that parcel will be adjusted to its fair market value as determined in accordance with paragraph 2.02 unless Lessor elects to apply one of the methods of rental computation set forth in subparagraph 2.01.B.3 below.

In the event Lessor and Lessee are unable to reach agreement regarding specific terms under subsection 3 immediately below, then fair market value rent under this subparagraph 2.01.B.2 shall become due and payable with respect to the specific project, effective as of the date the certificate of occupancy was issued.

3. Lessor's alternatives to fair market value are as follows:

a. Lessor may elect to receive a percentage of the project's gross revenues in addition to a base rent of seventy-five percent (75%) of fair market value rent as determined in accordance with paragraph 2.02. The percentage of gross revenues so received shall be negotiated on a project-specific basis.

b. In the alternative, Lessor may elect to participate as an investor/owner of a specific project and receive a negotiated percentage of net profits.

4. Once a specific project obtains a certificate of occupancy and begins accruing Project Rent, the area which is platted for (or otherwise agreed by Lessor and Lessee to be allocated to) such project shall be withdrawn from computation of Initial Rent regardless of whether Lessee

subleases the parcel or partially assigns its rights under this Lease to the project occupant. For purposes of this calculation, parcel sizes shall be rounded to the nearest half acre and Initial Rent shall accordingly be reduced pro rata.

2.02 Determination of Fair Market Value Rent: Periodic Readjustment. Whenever fair market value is used as an agreed measure of Project Rent (under paragraphs 2.01.3.2 or 3 above), it shall be determined as set forth below. In addition to the initial valuation, the fair market value rent shall be readjusted to current fair market value as of the beginning of each seven (7)-year period of the lease term pursuant to the same procedures. Notwithstanding anything to the contrary, Project Rent shall not be increased for any portion of the Leased Premises for which a certificate of occupancy has not been issued.

A. Appraisal of Fair Market Value of Fee Simple Interest. Lessor shall select an appraiser from a list of qualified appraisers compiled by Lessor and kept available for public inspection at Lessor's office. The appraiser shall determine, within sixty (60) days of Lessee's request and Lessor's selection of an appraiser pursuant to this subparagraph for an initial fair market valuation, or as of a date within one hundred eighty (180) days before or after the beginning of the applicable rent period for subsequent rental adjustments, the fair market value of the fee simple interest in the Leased Premises, based upon the use to which the land is or shall be put so long as the same is consistent with the master plan developed for the Leased Premises, unencumbered by this Lease, and including improvements owned by Lessor (identified in paragraph 1.03 of this Lease), and excluding improvements owned by Lessee (identified in paragraph 1.04 of this Lease). A copy of the appraisal report shall be provided by Lessor to Lessee at Lessee's request.

B. Fair Market Value Rent. The fair market value rent shall be the product derived from multiplying the fair market value of the Leased Premises (established in accordance with subparagraph 2.02.A) by TEN PERCENT (10%).

C. Appeal and Arbitration of Rent Increases. In the event Lessee disagrees with an appraisal of fee simple value made by Lessor pursuant to subparagraph 2.02.A of this Lease, Lessee may appeal the value determined in such appraisal by notifying Lessor in writing of its demand for appeal within thirty (30) days of receiving Lessor's notice of change in rent. Lessee's failure to give said notice will constitute a waiver of Lessee's right to appeal a change in rent based on such appraisal, and Lessee shall be bound by Lessor's determination of the fair market value rent.

In the event Lessee so appeals a change in rent, Lessee shall, at its own expense, obtain an appraisal of the fair market value of the fee simple interest in the Leased Premises, based upon the use to which the land is or shall be put so long as the same is consistent with the master plan developed for the Leased Premises, unencumbered by this Lease, and including Lessor's Improvements and excluding Lessee's Improvements, and provide the same to Lessor no later than sixty (60) days after Lessee's notice of appeal is delivered to Lessor. Said appraisal shall be performed in accordance with Lessor's Standard Appraisal Instructions in effect at the time of appraisal.

If within fifteen (15) days after Lessor receives Lessee's appraisal, the parties are unable to agree as to the fair market value of the fee simple interest, Lessee may, at its option, refer the matter to arbitration in accordance with the procedures contained in Article 8 of this Lease by notifying Lessor in writing of its demand for arbitration within ten (10) days after expiration of the 15-day period provided above. Otherwise, Lessee shall have no right to refer a rent dispute to arbitration and shall be bound by Lessor's determination of rent under this Lease.

Notwithstanding the foregoing, Lessee shall pay all rent at the new rate provided in Lessor's notice of change in rent until the issue of fair market value of the Leased Premises is resolved.

D. Retroactive Rent. Until a change in Basic Rent is determined, Lessee shall pay the same Basic Rent as in the previous year. When the adjusted Basic Rent has been determined, and Lessee notified, such Basic Rent as so determined shall be due and payable to Lessor retroactive to the commencement of the lease year for which such rent adjustment is made, and any deficiency resulting from such rent adjustment shall be payable within thirty (30) days after the giving of such notice to Lessee. However, at no time will the Lessee be responsible for more than ninety (90) days of unbilled retroactive rent at the increased level.

2.03 Absolutely Net Rent. It is the purpose and intent of Lessor and Lessee that the Basic Rents established under this Lease shall be absolutely net to Lessor so that this Lease shall yield, net to Lessor, the rent specified herein during the term of this Lease, and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises, which may arise or become due during the Lease Term, except as otherwise expressly provided in this Lease, and except costs, expenses, and obligations (other than those to be borne by Lessee as herein provided) incurred by Lessor in connection with the sale or mortgaging of the Leased Premises, shall be paid by Lessee, and that Lessor shall be indemnified and held harmless by Lessee from and against the same.

#### 2.04 Rent Credits.

A. Lessee's Rent Credits. Lessee shall be eligible for credit against its annual rent (whether Initial Rent or Project Rent) for certain expenditures that qualify for capitalization under Internal Revenue Code section 195. Such expenditures are subject to an annual maximum of \$150,000. Lessee may submit an itemization of such expenditures on a monthly basis (or less frequently, if Lessee so desires) together with such supporting documentation as Lessor may require, and receive payment of any amount by which the month's eligible expenditures exceed the rental due, subject however to the \$150,000 annual maximum credit.

B. Specific Project Rent Credit. Lessee's subleases (or partial assignments) to specific project owners or operators may grant such parties the right to seek rent credit for site-specific development costs that qualify as capital improvements under Internal Revenue Code section 195, amortized over the life of the individual sublease or assignment. Lessor shall require supporting documentation for any such credits requested. In no event shall

such credit exceed, on an annual basis, the annual Project Rent payable with respect to that project. Any excess qualifying costs (those not fully applied as credits in any one calendar year) may be carried over into subsequent rental periods until fully utilized by the sublessee/assignee.

C. Credit for Improvements of Common Benefit. Lessor and Lessee acknowledge that certain capital improvements may benefit all component development projects generally rather than any specific project. Such improvements include but are not limited to main streets/thoroughfares and pedestrian trails. The cost of such improvements may be eligible for rent credit to Lessee consistent with paragraph 2.04.A or, at Lessee's election, such costs may be charged to sublessees and allocated among all development projects on the basis of their respective pro rata shares of land area within the Leased Premises. In such event, the cost shall be amortized over the remaining term of each respective sublease. In no event shall any sublessee's credit under this subparagraph, taken together with any credit under paragraph 2.04.B, exceed that sublessee's annual Project Rent, but any unused qualifying costs may be carried over until fully utilized. Lessor shall require supporting documentation for any such credits requested.

D. Improvements Funded by Public Monies. Notwithstanding the foregoing, in no event will rent credit be allowed for any improvements to the extent the same are funded by grants or other public monies unless such funds are in the form of loans at market equivalent interest rates.

2.05 Public Amenity Development. The parties contemplate the inclusion of one or more "public amenity" projects within the Leased Premises, such as a planetarium or aquarium. Such projects cannot reasonably be expected to be produce net revenue, yet they enhance the overall development and the business opportunities of individual projects. Ownership and management of such amenity projects shall be decided by Lessor and Lessee on a case-by-case basis and may be vested in separately established non-profit corporations. Any parcel devoted to such amenity projects shall continue to accrue Initial Rent at the rate set in paragraph 2.01 unless a higher rate is charged as rent by Lessee to the sublessee. In the latter event, Lessor shall receive fair market value rent for such parcel under paragraph 2.02. As to such projects for which Lessee does not receive rent greater than the Initial Rent, Lessee shall be paid a development fee by Lessor equivalent to five percent (5%) of Lessee's development costs. Lessor shall require supporting documentation for such costs prior to paying any such development fee.

### ARTICLE 3

#### QUIET ENJOYMENT

Subject to the other leases and permits described in paragraph 1.01, upon timely payment by Lessee of all of such rents and other payments required to be paid by Lessee under this Lease, and upon full and faithful observance and performance by Lessee of all of its covenants contained in this Lease, and so long as such observance and performance continues, Lessee shall peaceably hold and enjoy the Leased Premises during the Lease Term and any extended term(s) without hindrance or interruption by Lessor or anyone lawfully claiming by, through, or under Lessor.

## ARTICLE 4

## LESSEE'S COVENANTS

4.01 Special Covenants of Lessee.

A. Lessee shall act as master developer of the Leased Premises and accomplish an integrated mixed-use commercial development pursuant to the terms of this Lease and a development agreement as described in subparagraph 4.01.B. Such development shall occupy various portions of the Leased Premises on a sublease or partial assignment basis, subject to the other terms of this Lease.

B. In order to obtain \$5.5 million previously appropriated by the Alaska State Legislature for the redevelopment of the Leased Premises, Lessor and Lessee must execute a development agreement (the "Development Agreement") which is approved by the Anchorage Economic Development Corporation and the Municipality of Anchorage not later than April 30, 1992. Lessee shall diligently and in good faith negotiate the terms of the Development Agreement with Lessor and failure to enter into the Development Agreement may, at Lessor's discretion, be cause for termination of this Lease.

C. The previously mentioned legislative appropriation requires private investment commitments of not less than \$5.5 million and the Development Agreement shall so provide. In addition, Lessee is required by this Lease to diligently pursue such commitments (and any others it may obtain) to a final result of the issuance of certificate(s) of occupancy for development projects on the Leased Premises totalling not less than \$7.0 million within three (3) years of the effective date of this Lease.

D. It is Lessor's desire to encourage public participation in the development process to the extent that no party's competitive position is compromised and no privileged or proprietary information is released. Lessee shall actively solicit public comment regarding each proposed component part of its development on the Leased Premises to the extent reasonably possible, consistent with this philosophy. Lessee is not, however, required to conduct public hearings or follow any other specific procedures, and failure to obtain a public consensus as to any individual project shall not be cause for abandonment of that project, nor shall it constitute default under this Lease.

4.02 Taxes, Assessments and Charges.

A. Lessee shall pay, not less than ten (10) days before they become delinquent, all real property taxes, assessments, special assessments or other charges of every description for which the Leased Premises, or any improvement thereon or any use thereof, are now or during the Lease Term may be assessed or become liable, whether made by governmental authority or by any public utility or community service company, and whether assessed to or payable by Lessor or Lessee, subject to Lessee's option to pay in installments hereinafter provided. Such taxes and assessments include, but are not limited to, any increased real property tax resulting from any classification of the Leased Premises during the Lease Term to a higher use. Payments of real property taxes and assessments due during the first and last years of the

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. SB 338

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act Relating to the Issuance of Revenue Bonds BRU: Revenue Operations  
for the Alaska Discovery Center Component: Treasury Management  
 Sponsor: Senate Labor and Commerce Committee  
 Requestor: Senate Labor and Commerce Committee COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0				
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

**ANALYSIS:** (Attach a separate page if necessary.)

The Department of Revenue believes it to be in the best interest of the State to have a thorough analysis of the project feasibility as required by this legislation. A qualified financial advisor should also review all bond and legal documents for proper disclosure of revenue sources and other credit issues. The analysis will be funded from bond proceeds.

Prepared by: Laraine L. Derr, Deputy Commissioner Phone: 465-4880  
 Division: Treasury Date: 2/28/94  
 Approved by Commissioner: Darrel J. Rexwinkel Date: 2/28/94  
 Agency: Department of Revenue

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- FISCAL NOTE -

SENATE BILL NO. 338

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST

Introduced: 2/22/94  
Referred: L&C, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of revenue bonds for acquisition and  
 2 construction of the <sup>Northern Crossroads</sup> ~~Alaska~~ Discovery Center for the Ship Creek <sup>Landings</sup> Project, ~~in~~  
 3 ~~Anchorage~~ <sup>Northern Crossroads</sup> relating to a study of the feasibility and financial viability of the  
 4 ~~Alaska~~ <sup>Northern Crossroads</sup> Discovery Center; relating to construction of the ~~Alaska~~ <sup>Northern Crossroads</sup> Discovery Center;  
 5 and providing for an effective date."

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

7 \* Section 1. (a) In furtherance of the state policy under sec. 1(a), ch. 153, SLA 1984 to  
 8 foster the long-term economic growth and development of the state, the Alaska Railroad  
 9 Corporation is authorized to issue revenue bonds in the principal amount of \$55,000,000 for  
 10 the construction and acquisition of the ~~Alaska~~ <sup>Northern Crossroads</sup> Discovery Center for the Ship Creek Project in  
 11 Anchorage, if the board of directors of the ~~corporation~~ <sup>Alaska Railroad</sup> determines after completion of the  
 12 study conducted under sec. 2 of this Act that the ~~Alaska~~ <sup>Northern Crossroads</sup> Discovery Center is feasible and  
 13 financially viable. This section constitutes legislative approval of the issuance of bonds by

~~Alaska~~ <sup>Alaska</sup> Railroad Corporation, as required by AS 42.40.285.

(b) The Alaska Railroad Corporation may loan the proceeds from the sale of revenue bonds authorized by this section to a public or private entity that the corporation considers appropriate to acquire, construct, and operate the Alaska Discovery Center. The corporation may enter into agreements, including leases, with a public or private entity that the corporation considers appropriate to provide for and secure payment of a loan made from the proceeds from the sale of the revenue bonds.

(c) The issuance of revenue bonds authorized by this section is subject to AS 42.40.600 - 42.40.700, except that, notwithstanding AS 42.40.630, the bonds are special nonrecourse obligations of the corporation payable only from the revenues and assets of the public or private entity that owns and operates the Alaska Discovery Center.

\* Sec. 2. The Alaska Railroad Corporation shall conduct a study of the feasibility and financial viability of the proposed <sup>Northern C</sup> Alaska Discovery Center for the Ship Creek Project in Anchorage, if a private party, including a potential developer or lessee of the Alaska Discovery Center, enters into an agreement with the corporation to pay the cost of the study. The corporation shall select the person to conduct the study. Upon receipt of the completed study, the board of directors of the corporation shall determine whether the <sup>Northern Crossroads</sup> Alaska Discovery Center is feasible and financially viable.

\* Sec. 3. Before construction of the <sup>Northern Crossroads</sup> Alaska Discovery Center begins, the Alaska Railroad Corporation shall require that the public or private entity authorized to <sup>design and</sup> construct the <sup>Northern Crossroads</sup> Alaska Discovery Center post a performance bond in favor of the corporation to assure completion of the Alaska Discovery Center.

\* Sec. 4. Each bond issued under sec. 1 of this Act shall contain on its face a statement that

(1) the Alaska Railroad Corporation is not obligated to pay the bond or the interest on the bond except from the revenue or assets pledged for the bond;

(2) neither the faith and credit nor the taxing power of the State of Alaska or of a political subdivision of the state is pledged to the payment of the bond; and

(3) the issuance of the bonds does not create a legal or moral debt of the State of Alaska and payment of the bond is not directly or indirectly dependent upon an appropriation by the Alaska State Legislature.

1

\* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

8-LS1761A  
Utermohle  
2/17/94

**SENATE BILL NO.**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**EIGHTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST**

Introduced:  
Referred:

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the issuance of revenue bonds by the Alaska Railroad  
2 Corporation for acquisition and construction of the Alaska Discovery Center for  
3 the Ship Creek Project in Anchorage; relating to a study of the feasibility and  
4 financial viability of the Alaska Discovery Center; and providing for an effective  
5 date."

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

7 \* Section 1. (a) In furtherance of the state policy under sec. 1(a), ch. 153, SLA 1984 to  
8 foster the long-term economic growth and development of the state, the Alaska Railroad  
9 Corporation is authorized to issue revenue bonds in the principal amount of \$55,000,000 for  
10 the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in  
11 Anchorage, if the board of directors of the corporation determines after completion of the  
12 study conducted under sec. 2 of this Act that the Alaska Discovery Center is feasible and  
13 financially viable. This section constitutes legislative approval of the issuance of bonds by

1 the corporation, as required by AS 42.40.285.

2 (b) The Alaska Railroad Corporation may loan the proceeds from the sale of revenue  
3 bonds authorized by this section to a public or private entity that the corporation considers  
4 appropriate to acquire, construct, and operate the Alaska Discovery Center. The corporation  
5 may enter into agreements, including leases, with a public or private entity that the corporation  
6 considers appropriate to provide for and secure payment of a loan made from the proceeds  
7 from the sale of the revenue bonds.

8 (c) The issuance of revenue bonds authorized by this section is subject to  
9 AS 42.40.600 - 42.40.700, except that, notwithstanding AS 42.40.630, the bonds are special  
10 nonrecourse obligations of the corporation payable only from the revenues and assets of the  
11 public or private entity that owns and operates the Alaska Discovery Center.

12 \* Sec. 2. The Alaska Railroad Corporation shall conduct a study of the feasibility and  
13 financial viability of the proposed Alaska Discovery Center for the Ship Creek Project in  
14 Anchorage, if a private party, including a potential developer or lessee of the Alaska  
15 Discovery Center, enters into an agreement with the corporation to pay the cost of the study.  
16 The corporation shall select the person to conduct the study. Upon receipt of the completed  
17 study, the board of directors of the corporation shall determine whether the Alaska Discovery  
18 Center is feasible and financially viable.

19 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 148(FIN) Version "I"

Page 1, after line 13:

Insert a new paragraph to read:

"(3) the Alaska Railroad Corporation is authorized to incur debt for the acquisition and construction of the Northern Crossroads Discovery Center for the Ship Creek Landings Project;"

Renumber the following paragraphs accordingly.

Page 5, line 12, after "APPROVAL":

Insert ": REGIONAL LANDFILL"

Page 5, after line 14:

Insert a new bill section to read:

"\* **Sec. 11. LEGISLATIVE APPROVAL: NORTHERN CROSSROADS DISCOVERY CENTER.** (a) Contingent upon enactment of a law passed by the Eighteenth Alaska State Legislature approving the issuance of bonds by the Alaska Railroad Corporation for the acquisition and construction of the Northern Crossroads Discovery Center for the Ship Creek Landings Project, the Alaska Railroad Corporation, in accordance with AS 42.40.285, as amended by sec. 8 of this Act, is authorized to incur debt through the issuance of bonds in the amount approved by the legislature for the acquisition and construction of the Northern Crossroads Discovery Center.

(b) The amount of debt authorized under this section is in addition to the debt that the Alaska Railroad Corporation may incur without legislative approval under AS 42.40.285, as amended by sec. 8 of this Act."

Renumber the following bill section accordingly.

#1  
*adopted*

8-LS1761NO.4  
Utermohle  
4/19/94

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 338(L&C)

BY SENATOR FRANK

Page 2, line 13:

Delete "of"

Insert "received by the corporation from"

Page 2, line 14, after "Center.":

Insert "Notwithstanding AS 42.40.630 and 42.40.640, the Alaska Railroad Corporation may not pledge, mortgage, or assign money, leases, revenue, agreements, assets, or property of the corporation to the payment of the bonds, except as expressly provided in this subsection."

Page 2, line 51, after "assets":

Insert "received by the corporation from the public or private entity that owns and operates the Northern Crossroads Discovery Center that are"

8-LS1761NK  
Utermohle  
3/1/94

CS FOR SENATE BILL NO. 338(L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of revenue bonds for acquisition and  
2 construction of the Northern Crossroads Discovery Center for the Ship Creek  
3 Landings Project; relating to a study of the feasibility and financial viability of  
4 the Northern Crossroads Discovery Center; relating to construction of the  
5 Northern Crossroads Discovery Center; and providing for an effective date."

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

7 \* Section 1. (a) In furtherance of the state policy under sec. 1<sup>b</sup>(a), ch. 153, SLA 1984 to  
8 foster the long-term economic growth and development of the state, the Alaska Railroad  
9 Corporation is authorized to issue revenue bonds in the principal amount of \$55,000,000 for  
10 the construction and acquisition of the Northern Crossroads Discovery Center for the Ship  
11 Creek Landings Project, if the board of directors of the Alaska Railroad Corporation  
12 determines after completion of the study conducted under sec. 2 of this Act that the Northern  
13 Crossroads Discovery Center is feasible and financially viable. This section constitutes