

ANCHORAGE, ALASKA

AR NO. 2001-328

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING  
SENATE BILL 209, AUTHORIZING THE ALASKA RAILROAD TO LEASE LAND FOR  
55 YEARS.

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WHEREAS, a proposed bill - Senate Bill 209 - would authorize the Alaska Railroad Corporation (ARRC) to lease land for 55 years; and

WHEREAS, this proposed legislation will cultivate development in Alaska communities along the railbelt by making commercial and residential development on ARRC lands more feasible; and

WHEREAS, ARRC's current statutory limit is a 35-year lease - the proposed legislation would amend AS 42.40.285(4) enabling the ARRC to lease lands within its Anchorage, Fairbanks, Seward, and Healy Terminal Reserves for up to 55 years rather than 35 years without first gaining legislative approval; and

WHEREAS, today, ARRC can extend leases beyond 35 years subject to a termination clause defined by AS 42.40.285(4) - the clause states ARRC can terminate any lease with a term in excess of 35 years in the event the land is needed for railroad purposes after the initial 35 years; and

WHEREAS, financial lenders are reluctant to lend on large-scale projects requiring substantial equity when there is no guarantee the land will be available beyond 35 years; and

WHEREAS, ARRC's statutory constraints limit the ability for developers of large-scale commercial and residential projects to secure financing because certain banking regulations require ground lease maturity to exceed loan maturity by 10 years; and

WHEREAS, when developers provide significant infrastructure or operational improvements, it is beneficial to have a lengthened lease term allowing companies to amortize debt over a longer span of time; and

WHEREAS, increasing the lease term to 55 years would increase financing options and, therefore, investor interest; and

4 WHEREAS, this change would result in increased business activity on railroad  
5 property by making improvements more attractive to investor/users. This also creates long  
6 term benefits to the surrounding communities by providing an economic tax base.  
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8 NOW, THEREFORE, the Anchorage Municipal Assembly resolves:  
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10 **Section 1:** That the Assembly supports Senate Bill 209 authorizing ARRC to lease  
11 land for 55 years.  
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13 **Section 2:** That the Assembly views this legislation as an important step toward  
14 promoting economic development in railbelt communities where certain high value railroad  
15 lands are currently underdeveloped.  
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17 PASSED AND APPROVED by the Anchorage Assembly this 13<sup>th</sup> day of  
18 November, 2001.  
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Chair

ATTEST:

  
Municipal Clerk

## **SPONSOR STATEMENT**

### **Senate Bill 209**

Senate Bill 209 extends the length of time the Alaska Railroad Corporation (ARRC) can lease lands within its Anchorage, Fairbanks, Seward, and Healy Terminal Reserves before reserving a right to terminate the lease if the land is subsequently needed for railroad purposes.

This change in Statute will help cultivate economic development in Alaska communities along the railbelt by making commercial and residential development on certain Alaska Railroad lands more viable.

The ARRC's current statutory limit is a 35-year. On any lease with a term longer than 35 years, an option to extend leases beyond 35 years must include the termination clause. This clause allows the ARRC to terminate any lease after 35 years in the event the land is needed for railroad purposes.

While the 35-year lease limit is adequate for most of ARRC's tenants, it represents an obstacle in leasing lands to large commercial and residential developers who need to secure long-term financing for their investments. Financial lenders are reluctant to invest in large-scale projects requiring substantially equity participation when there is no guarantee the land will be available beyond 35 years.

The 35-year lease limit and termination clause are viewed as restrictive and have had a chilling effect on commercial as well as residential development on ARRC lands. For example, Anchorage Neighborhood Housing, Inc. is working on the development of a 20-unit senior housing complex on ARRC property located in the Government Hill area. Housing for this project would be developed utilizing Housing and Urban Development (HUD) 202 senior housing funds. However, to be eligible for financing HUD requires a 50-year lease period.

SB 209 would promote economic development and job opportunity for Alaskans by allowing greater ease in developing real estate in many railbelt communities. It would also make ARRC's leasing practices more consistent with other state agencies. The University of Alaska and the Department of Natural Resources can both lease land for up to 55 years.

The proposed extension of allowable lease term is supported by the Anchorage Historic Properties, Anchorage Neighborhood Housing Services, Mel Tipton (Ship Creek tenant and commercial developer), Northrim Bank, AIDEA, Yukon Fuel and Kantishna Holdings, Inc.

**SENATE BILL NO. 209**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY SENATOR LEMAN**

**Introduced: 4/27/01**

**Referred: Transportation, Resources**

**A BILL**  
**FOR AN ACT ENTITLED**

1    **"An Act relating to legislative approval of certain land leases by the Alaska Railroad**  
2    **Corporation."**

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

4    \* Section 1. AS 42.40.285 is amended to read:

5               **Sec. 42.40.285. Legislative approval required.** Unless the legislature  
6               approves the action by law, the corporation may not

7                       (1) exchange, donate, sell, or otherwise convey its entire interest in  
8               land;

9                       (2) issue bonds;

10                      (3) extend railroad lines; this paragraph does not apply to a spur,  
11               industrial, team, switching, or side track;

12                      (4) lease land

13                               (A) within a terminal reserve located at Anchorage,  
14               Fairbanks, Seward, or Healy for a period in excess of 55 years unless the

1 corporation reserves the right to terminate the lease if the land is needed  
 2 for railroad purposes; or

3 (B) outside of a terminal reserve listed under (A) of this  
 4 paragraph for a period in excess of 35 years unless the corporation reserves  
 5 the right to terminate the lease if the land is needed for railroad purposes;

6 (5) apply for or accept a grant of federal land within a municipality;  
 7 before approving an action under this paragraph, the legislature must determine that  
 8 the federal land is required for essential railroad purposes; this paragraph does not  
 9 apply to the application for or acceptance of a grant of federal land associated with

10 (A) the Anchorage-Wasilla line change project on Elmendorf  
 11 Air Force Base and Fort Richardson;

12 (B) the Fairbanks intermodal rail yard expansion project;

13 (C) a conveyance of rail properties of the Alaska Railroad  
 14 under the original Alaska Railroad Transfer Act of 1982 as set out in Title VI,  
 15 P.L. 97-468; in this subparagraph, "rail properties of the Alaska Railroad" has  
 16 the meaning given in 45 U.S.C. 1202(10).

Ar 2001-328

1	SUBJECT OF AGENDA DOCUMENT <b>AR 2001-328</b> <b>Supporting SB 209</b>	DATE PREPARED <b>11-9-01</b>
		Indicate Documents Attached <input type="checkbox"/> AO <input checked="" type="checkbox"/> AR <input type="checkbox"/> AM <input type="checkbox"/> AIM
2	DEPARTMENT NAME <b>Assembly</b>	DIRECTOR'S NAME <b>G. Moyer</b>
3	THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY	HIS/HER PHONE NUMBER

4	COORDINATED WITH AND REVIEWED BY	INITIALS	DATE
	Mayor		
	Municipal Clerk		
	Municipal Attorney		
	Employee Relations		
	Municipal Manager		
	Cultural & Recreational Services		
	Fire		
	Health & Human Services		
	Merrill Field Airport		
	Municipal Light & Power		
	Office of Management & Budget		
	Police		
	Port of Anchorage		
	Public Works		
	Solid Waste Services		
	Public Transportation		
	Water & Wastewater Utility		
	Executive Manager		
	Community Planning & Development		
	Finance, Chief Fiscal Officer		
	Heritage Land Bank		
	Management Information Systems		
	Property & Facility Management		
	Purchasing		
	Other		

## 5 SPECIAL INSTRUCTIONS/COMMENTS

P.A.3. ACTION

6	ASSEMBLY HEARING DATE REQUESTED 11-13-01	7	PUBLIC HEARING DATE REQUESTED
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