



ISSUE EIGHT  
SUMMER 2011

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# TENANT



A newsletter for Alaska Railroad Real Estate Customers

## Customer Communications

# Improve Tenant Dialogue and Input

The Alaska Railroad (ARRC) continues to develop and expand programs and policies to improve real estate customer relations. This relates to an ongoing cross-departmental focus on customer service that ARRC President/CEO Chris Aadnesen initiated early in 2011.

Many efforts stem from input by railroad lease tenants who established the Alaska Railroad Leaseholders Association (ARRLA) about five years ago. ARRLA has presented ARRC with several goals that indicated dissatisfaction with customer relations. ARRLA sought better communication, including more cooperation and opportunity to provide input on lease policy revisions. Below is an update on initiatives to improve communication and dialogue:

- **Working Groups and Committees:**

Leaseholders actively participate in groups that address key interest areas. In 2009, a meeting was held between ARRC Real Estate staff, real estate industry experts, and leaseholders from along the rail corridor. The group discussed the most pressing lease issues and identified action items. Formed in 2010, the Railroad Right-of-Way (ROW) Policy Committee includes ARRC Board members, a community develop-



ARRC Board member Jon Cook (left) and leaseholder Doug Lechner during the recent Real Estate Advisory Committee.

ment expert and a railroad leaseholder. The committee has met several times to focus on issues impacting residents and businesses that use or border the ROW. In early 2011, the Real Estate Advisory Committee was formed to continue to address land issues and pursue related action items. *A story on page 7 recaps the status of key issues.*

- **Tenant meetings:** ARRC established annual tenant meetings to provide an in-person forum for real estate customers to voice concerns and suggestions. The first meetings were held in Fairbanks and Anchorage in September 2010. This year's tenant meetings are planned for fall.
- **Email Communication:** Real Estate staff collected email addresses for key personnel  
*(See "Customer Dialogue" on page 5)*



## Staff Profile Louis Bencardino

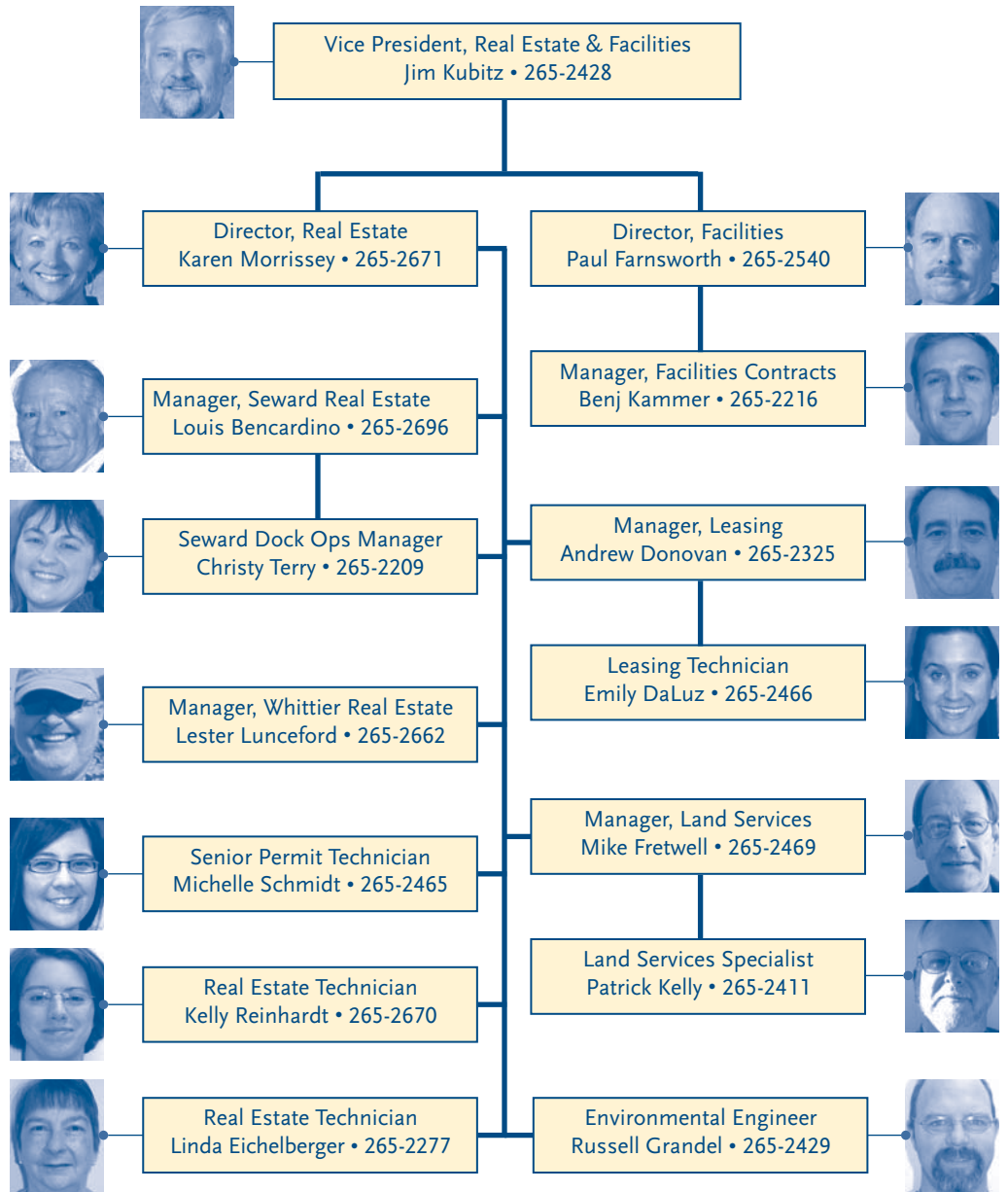
Louis Bencardino is the Alaska Railroad Seward Dock and Real Estate Manager. He oversees the daily operations of the railroad's passenger/cruise-ship dock and freight dock, and is the community's go-to person for local railroad real estate issues. Bencardino has worked for the Alaska Railroad for more than 10 years.

Prior to joining the railroad, Bencardino was Seward's police chief for 20 years. He brought decades of experience and expertise to this position, having served with police departments in Fairbanks, Nome, Palmer and the Marshall Islands.

Bencardino also served as Seward's mayor. Currently, he is a member of the Statewide Board for Alaska's Institute of Technology (AVTEC), American Legion and Pioneer Club. Bencardino remains a champion of the elderly and the young through involvement in several other community organizations.

In January 2011, the Seward Chamber of Commerce named Bencardino as its *2010 Person of the Year*. The honors were presented during the Seward Chamber Annual Community Awards ceremony. Bencardino was recognized for a remarkable record of community and civic involvement since moving to Seward in 1975. ●●●●

## Who's Who in Alaska Railroad Real Estate? Organizational Chart and Phone #'s



## Alaska Railroad Real Estate Department

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## Leaseholder in the Limelight CRS Offers Construction & Demo Debris Recycling

In 2009, Central Recycling Services (CRS) leased a 6-acre lot within the railroad’s Anchorage Reserve. Employing about 20 workers, CRS is Alaska’s only full-service construction and demolition (C&D) recycling facility. CRS is a sister company to Central Environmental Inc. (CEI), which specializes in environmental, demolition, recycling and construction services. While the leased lot is now a center for environmentally friendly activity, ironically it was once part of a contaminated Superfund site. A portion of the lot contains encapsulated remnants of the clean-up effort.

The lot was previously used by a trucking company. After signing a 20-year lease with the railroad, CRS acquired the trucking company, significantly upgraded the existing building, and installed machinery to automate much of the shredding and sorting functions that turn waste into usable material. The result is a multi-million dollar set-up offering a one-stop service for those seeking options to the landfill.

CRS accepts a wide variety of C&D debris from around the state, including wood, sheetrock, scrap metals, plastics, concrete, stone, asphalt and more. In fact, CRS uses rail to haul metal and debris from Fairbanks and other railbelt communities to Anchorage. These materials come to the CRS center by the truckload and are added to a mountain of debris.

CRS employees in excavators pick through new loads, separating large scrap metal, concrete and tires. The rest is put through a giant shredder-sorter-sifter contraption that spans the length of the building. Powerful magnets extract metal, while workers and machinery sort wood, plastic, sheetrock and other materials into processing bins and bailers. Debris is made into recycled materials for sale, including concrete and landscape aggregate, pavement, animal bedding, shredded rubber, firelogs, mulch, pallets and scrap metal.

CRS prices its services and products to attract cost-conscious businesses. “Our debris disposal price is roughly equiva-



Shane Durand explains how the conveyor system works.

lent to the cost of bringing debris to the landfill transfer station,” said CRS Project Manager Shane Durand. “And, our recycled materials are about half the price of new, non-recycled material.”

Recent trends in government-led projects have helped with CRS steady growth. Federal construction projects are now required to divert at least 50% of the resulting debris away from the landfill. Anchorage capital projects are following Leadership in Energy & Environmental Design (LEED) standards, which often call for recycling and reuse of waste streams.

Municipal landfills also look at the long-range cost of accepting C&D debris. “Keeping C&D material out can dramatically extend the life of a landfill,” said CRS Operations Manager Caleb Moffitt.

“CRS/CEI is a great customer. They use our freight service, have a solid lease arrangement and are in a growth and expansion mode,” said VP Real Estate Jim Kubitz. “We expect to do business with CEI for a long time throughout the state.” ●●●●



Scrap metal is separated from a debris pile.



## Issue Update Ice Alaska

Ice Alaska (IA) has found a new home, according to its Chairman Dick Brickley, who told the Alaska Railroad that the organization purchased 25 acres in mid-June. The new site is about one mile west of the railroad's property at Chena Landing, where IA has hosted the BP World Ice Art Championships.

As promised, the Alaska Railroad is assisting IA with moving its equipment and facilities to the new site. To start, the railroad delivered eight 40-foot containers for use in hauling IA property. ARRC contracted with a local trucking company to move full containers and building sections.

The Chena Landing site encompasses O'Grady's Pond, which was used by IA to produce carving ice renowned for its clarity and consistency. The Alaska Railroad has issued a no-fee permit to allow future dredging and cleaning of O'Grady's Pond and subsequent ice harvesting as needed.

Given Ice Alaska's uncertain status, ARRC was previously unable to market the land that IA used three to four months out of each year to host the ice carving event. Following the move, ARRC will pursue new lease opportunities, capitalizing on the millions of dollars originally invested to construct a road through, and connect utilities to, Chena Landing. ●●●●

## On Track with the Issues Railroad Delineates ROW Boundary

The Alaska Railroad (ARRC) is delineating (marking) the right-of-way (ROW) boundary through Anchorage. By increasing boundary visibility, ARRC hopes to promote public awareness of the ROW as a "railroad utility corridor."

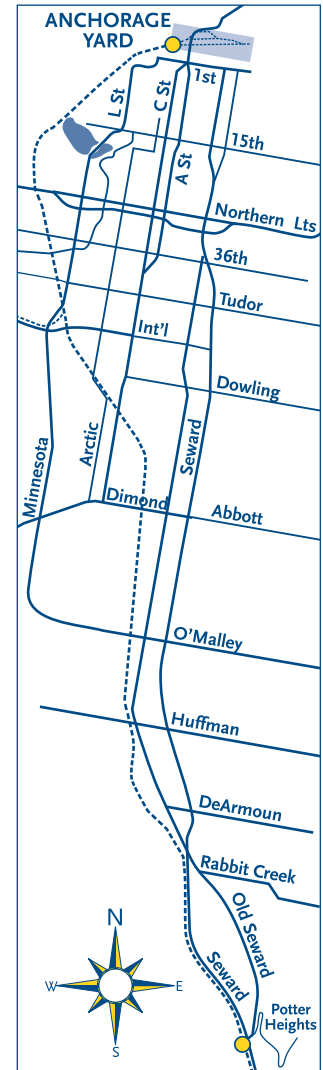
The ROW's primary purpose is to operate trains. State law (AS 42.40) requires the ROW to be preserved for transportation, communication and transmission purposes, including support functions such as underground and overhead utilities. In addition to accommodating priority railroad uses set by statute, the ARRC ROW is intended to provide maximum protection to the public and ARRC employees from safety risks inherent in railroad operations. Higher train speeds, more frequent trains and increased residential development make maintaining the ROW all the more important.

Initially, the ROW boundary marking project starts at Potter Hill, just south of Anchorage, and runs north to Joint Base Elmendorf-Richardson. Smaller areas in Birchwood and Eklutna are also included.

Earlier this spring ARRC hired consultants to complete a preliminary survey. Late this summer, ARRC will begin installing durable 6-foot blue posts (see picture at left) every 200 feet to physically mark the ROW boundary through the project corridor. Installation will conclude before snowfall. The delineation effort augments the U.S. Survey monuments that currently mark the ROW boundary. The federal government completed U.S. Surveys as part of the Alaska Railroad Transfer Act that authorized the state's purchase of the railroad in 1985.

The boundary delineation is part of a broader effort to preserve the integrity of the ROW by addressing existing uses. This effort includes evaluating the suitability of permits relating to residential lawn-and-garden use, crossings, pedestrian and bike trails, utility and transmission lines, commercial and special use permits. New ROW policies that will address the different types of ROW uses — utility, commercial, governmental, residential, etc. — are being developed by an ARRC Board committee including two board members, two members of the public with real estate expertise, and ARRC VP Real Estate Jim Kubitz. Once policies are drafted, the public will be notified and invited to comment.

For more information on the ROW delineation project, contact Land Services Specialist Patrick Kelly at 265-2411, or email KellyP@akrr.com. ●●●●





## On Track with the Issues New Real Estate Advisory Committee

In early 2011, the Alaska Railroad (ARRC) formed a Real Estate Advisory Committee to work directly with the ARRC Board of Directors Real Estate Committee and with Real Estate Department staff on a variety of issues. The advisory committee is building on the groundwork established in 2009.

The Board sub-committee on Real Estate (Chair Jon Cook, John Binkley and Jack Burton) first met with the Advisory Committee on March 29, seeking input on improving ARRC real estate policies and procedures.

Attendees included:

- Brian Bethard, Black-Smith, Bethard, and Carlson Appraisers (appraiser)
- Doug Lechner, Shoreside Petroleum (Seward and Whittier tenant)
- Mark Pfeffer, Pfeffer Development
- Ron Pollock, Anchorage Community Development Authority
- Richard Schok, Flowline, Inc. (Fairbanks tenant)
- Mark Stearns, MMME, LLC (Anchorage tenant and Alaska Railroad Leaseholders Association [ARRLA] representative)
- Jim Yarmon, Yarmon Investments (Anchorage tenant)



Mark Pfeffer outlines land development issues.



Mark Stearns makes a point as Jim Kubitz (left) and Ron Pollock listen.

The Advisory Committee also includes Jason Mayrand, Mayor of Nenana, (Interior tenant/ARRLA representative).

The group agreed upon two initial goals:

- 1) to better address customer needs
- 2) to make railroad land leases more attractive and market-oriented.

With this in mind, the group discussed provisions of ARRC's current ground lease, lease terms, lessee environmental responsibilities, local property taxation as it relates to lease value, the recent Land Sale Act (HB357) and ARRC's work on accompanying land sale policies. Discussion on appraisals included the overall appraisal process, appraisal adjustment terms, appraiser selection, and appraisal methods including use of the consumer price index or other suitable indices. A subsequent meeting is scheduled for July 7.

In early spring, the railroad also met separately with ARRLA on the land sale and other issues. ARRC is committed to future meetings with ARRLA to work on ongoing issues. ●●●●

## Customer Dialogue...

(continued from page 1)

within leaseholder companies. The group email offers an efficient way to contact customers with time-sensitive information, event notices and other communications. Emailing was first used to notify tenants of the tenant meetings in September 2010. Since then, it has been used to invite participation in customer events and to encourage input on important issues.

- **Newsletter:** The railroad established a newsletter for leaseholders and long-term permit holders. The first issue of *Tenant Ties* was published in fall 2006. Seven editions have been produced since then. The newsletter offers a heads up on a variety of real estate issues, plans and developments.

The Alaska Railroad seeks improved customer relations as an ongoing process. We will continue efforts to expand communication and dialogue with our lease customers; to work together on issues of mutual interest; and to perfect our approach to customer service.

*A story on page 6 outlines ARRC Real Estate initiatives to improve customer service. ●●●●*



## Communication Do we have Your Current Contact Info?

Please keep the Alaska Railroad (ARRC) abreast of any changes in contact information for you, your colleagues and your company. The ARRC Real Estate & Facilities Department strives to keep the real estate customer mailing and emailing lists as accurate as possible by making changes as needed throughout the year. If your company address has changed, or if key personnel have changed, please let us know and we'll update our records accordingly.

In 2010, ARRC completed a real estate customer emailing list to include the addresses of key personnel for each of our leaseholder business customers. If you would like additional people in your company to receive email notices and correspondence, or if you would like to make a correction to an email address that is in error, please don't hesitate to contact us with your edits.

To provide updates to ARRC Real Estate, please call either Kelly Reinhardt at (907) 265-2670 or Emily DaLuz at (907) 265-2466. Reinhardt and DeLuz may also be reached via email, at ReinhardtK@akrr.com or at DaluzE@akrr.com, respectively.



## Customer Service Focus Department Improvement Initiatives

While ARRC has made some progress on improving communication and cooperative work on key issues, we realize overall real estate customer service needs some improvement. Real estate is very important to ARRC's mandate to be self-sufficient, without state operating subsidy. Real estate leasing revenues provide 15% of customer-generated revenues — a steady, reliable source of funds for 1) capital projects not eligible for federal funding, 2) employee retirement and medical trusts, and 3) providing a buffer for lean years when operating revenue does not cover expense. We value our lease and permit customers for their business, and we want to provide a high level of service that demonstrates our appreciation. This attitude underscores ARRC President/CEO Chris Aadnesen's pursuit of improved customer service railroad-wide.

### Recent Service Improvements

- 1 Lease processing.** A leasing technician position was reinstated and a new technician was hired in August 2010. The addition is improving lease processing timeliness.
- 2 Lease tracking.** Complex leases require input from other ARRC departments, including legal, accounting, environmental and engineering. In January, we enhanced the system for coordinating and tracking lease progress through the organization. This will minimize errors and improve efficiency.

### Service Improvement Plan

In January 2011, the Real Estate Department completed a formal plan for improving customer service. Key components include:

- 1 Staff Job Performance:** Modify Real Estate staff annual performance appraisals to focus more on customer service, including review employee performance related to customer

service, time management and record-keeping factors. *(Implemented January 2011)*

- 2 Staff Training:** Key Real Estate staff are required to complete advanced customer service training that develops skills to enhance relations with leaseholders and internal departments that provide lease services (real estate, accounts receivable, marketing, environmental, legal, capital projects and facilities). Training will incorporate a means for measuring customer service performance. *(Completed by April 2011)*
- 3 Customer Complaints:** Real Estate developed a Customer Complaint Program that a) responds to complaints with an investigation, b) fosters resolution, and c) prevents reoccurrence. *(Implemented Spring 2011)*
- 4 Proactive Lease Communication:** Prior to mailing correspondence regarding a lease appraisal or renewal, Real Estate staff will call the customer to explain the process, explain significant changes and to answer any questions. *(Implemented January 2011)*
- 5 Staff Coordination:** Real Estate staff meets bi-weekly to improve intra-department communication and monitor customer service progress. Significant customer service opportunities and issues are regularly reported to the President/CEO. *(Implemented January 2011)*
- 6 Tenant Ties:** Use the recognized newsletter forum to inform customers of progress and plans to improve customer relations and service. *(Implemented January 2011)*
- 7 Customer Survey:** Develop a survey to determine key customer service issues, and monitor subsequent progress. Survey is in process with research expert Cracium & Associates. *(Implement Summer 2011).* ●●●●



## On Track with the Issues

# Status of Issues Addressed by ARRC and Leaseholders

The Alaska Railroad and leaseholders have focused on several key issues through correspondence and meetings. Many have been addressed by the Alaska Railroad (ARRC) Board of Directors Real Estate Committee, which meets regularly to discuss land items.

### Issues addressed to date

- **Mitigate tenant capital investment risks** associated with the stipulation to remove capital improvements at the end of a lease. Wholesale modification to all leases would not encourage capital investment in all cases. The ARRC Board will consider lease modifications on a case-by-case basis. Tenants may submit written proposals that support and encourage investment.
- **Mitigate 5-year appraisal gap/cost** that occurs with often substantial jumps in land value over five years. In May 2010, the ARRC Board approved a modification to benefit tenants. Previously adjusted rents were only subject to a 35% maximum increase, but no allowance for land value decreases. The revision provides for a 35% maximum decrease in land value. In addition, public notice required for new/renewing leases switched to electronic, eliminating a \$300 fee charged to cover newspaper notice costs.
- **Involve leaseholders in choosing land appraisers.** As a state-owned entity, ARRC must follow state procurement rules, which require a minimum of three quotes for contracted services under \$100,000. Appraisers must also meet professional criteria. ARRC mails

a scope of work to qualified appraisers before awarding regional appraisal work. Leaseholders are encouraged to provide contact information for preferred appraisers. If these appraisers meet minimum qualifications, they will be given the opportunity to bid on railroad appraisal work.

### Issues under consideration or in progress

- **Local government taxation.** In 2005, the Municipality of Anchorage (MOA) began taxing land leased from tax-exempt entities, as required by the State Assessor. ARRC has invited the MOA Assessor to an upcoming meeting with ARRC and leaseholders to discuss possible options.
- **Modify / Update lease forms and processes to benefit leaseholders.** The Real Estate Department is currently surveying the ground lease market to determine if ARRC lease terms are commercially unusual or unreasonable. Research will take several months to obtain sufficient information to determine if term and process amendments are warranted. If so, the Real Estate staff will seek leaseholder and stakeholder input on proposed recommendations.
- **Extend lease terms by asking legislature to approve 95-year lease.** Railroad management and some board members have discussed a 95-year lease in areas where substantial long-term investment is likely.
- **Consider more ARRC investment in railroad property.** The Alaska

Railroad is considering a suggestion to invest more capital in infrastructure to improve railroad real estate, where it makes the most sense. An examples includes current plans to upgrade sewer facilities in the Ship Creek area. The goal is to increase the real estate customer's value from leasing improved railroad property.

- **Consider the sale of leased land.** HB 357 (Railroad Land Sale) was signed into law June 2010, becoming effective mid-September 2010. The law fine-tunes the process for potential land sales by requiring certain criteria. Land sales remain subject to approval by the ARRC Board and State Legislature. The ARRC Board drafted a policy to clarify new law provisions and establish criteria and a process for board approval. This includes: a) best interests of the state; and b) tenant first right of refusal. In December 2010, the draft policy was sent to all leaseholders, lawmakers and other stakeholders for input. The board heard testimony during its February 2011 meeting. Comments are still being accepted and may be forwarded to VP Real Estate Jim Kubitz at KubitzJ@akrr.com. A second draft will be developed over the summer, with a goal to finalize by fall 2011. Tenants will be emailed the second draft document and a public notice will be published to elicit comment prior to consideration and approval at a future board meeting. ●●●●



# Leaseholder Landscape: Railbelt Communities Railroad Helps Expand Fairbanks Trail System

The Alaska Railroad (ARRC) is working with the community of Fairbanks to expand and enhance an existing trail system along the south side of the Chena River. The proposed project would construct additional trail on the north side of the river on about six acres of ARRC land between Peger Road to the area where Phillips Field Road narrows.

In early February, Fairbanks Senator Joe Thomas asked ARRC to consider a “public entity use permit” for no-cost use of railroad land to support the project known as “Chena River Walk Phase III.” Festival Fairbanks Executive Director Michelle Roberts briefed the ARRC Board on February 16 and shortly thereafter Board Chair Linda Leary confirmed the railroad’s intent to help advance plans to enhance the trail system and riverfront.

In March, the City of Fairbanks submitted an application to obtain the public use permit. Since then, city planners and Fes-

tival Fairbanks have been coordinating with ARRC’s Real Estate Department on a route that makes best use of the land while also enhancing river-side recreational opportunities.

As a local government, the City of Fairbanks qualifies as a “public entity” eligible to apply for a public use permit. The river trail project is also an authorized public use of railroad property because it creates a non-exclusive, non-commercial public amenity. Parks, historic landmarks and trails fall into this category.

According to ARRC land planners, the trail project would complement the railroad’s property in the Chena Landings area, and provide visitors and residents alike an opportunity to enjoy the riverfront. The public will have an opportunity to comment on the permit before it is approved by the ARRC Board of Directors. The railroad expects to issue the long-term public use permit during 2011 at no cost to the community. ●●●●

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