



Ice Alaska and the Alaska Railroad

HISTORY RECAP

1995

The Alaska Railroad invests \$2 million to improve the Chena Landings Subdivision to include a paved city-quality and city-maintained roadway through the property. The investment is made in order to attract business leases for long-term economic development and income for the railroad.

1996

RV Park owner David Pruhs leases about 17 acres in the Chena Landings Subdivision for summer use. *Ice Alaska* sub-leased this land for winter use.

1997

The Pruhs lease was terminated due to non-payment. *Ice Alaska* requested a long-term 35-year lease at 1997 rates (\$3,700/mo) for the duration of the lease. ARRC could not legally accept a lease that would not be adjusted for fair market value (FMV) changes.

1998/1999

Ice Alaska and ARRC discuss proposals, eventually settling on a special use permit that provides *Ice Alaska* with rent-free use while developing a business plan and fund-raising program to support a long-term lease at FMV. *Ice Alaska* also agreed to make property improvements.

2002/2003

Ice Alaska lease proposals again request 1997-level rent for the duration of a long-term lease. Negotiations included lease of a smaller area to fit within *Ice Alaska's* budget, with expansion through permits as needed. No agreement reached.

2004

Ice Alaska enters into a month-to-month permit arrangement, paying rent for three months during the 2004 event (January-February-March). In October, ARRC approves a lease application for a smaller 8-acre area to keep the cost at about \$3,700/mo, plus a short-term permit to rent additional land during the event months only.

2005

Ice Alaska delays addressing the approved lease until after the 2005 event, then counters with a proposal to pay half the FMV and reduced insurance. ARRC cannot legally accept these terms.

2006

Ice Alaska receives a \$2 million state grant to be used to support capital improvements.

2006/2007

Discussion continues over an acceptable leasing / permitting arrangement. The land is re-appraised and land values have increased. The ARRC Board again approves a long-term lease, but *Ice Alaska* does not sign because it cannot afford FMV rent. *Ice Alaska* continues operating under a special use permit at a rent below FMV.

2007/2009

Parties conclude that a long-term lease at FMV will not work because past experience and *Ice Alaska's* business plan and fund-raising program demonstrate that the organization is not financially capable of such an arrangement. In 2007, *Ice Alaska* is given an April 1, 2010, deadline to

finalize an option or to vacate. ARRC supports *Ice Alaska's* efforts to seek other options, including a move to another location. Pioneer Park, just blocks away, is investigated as a prime location. The park is not used during the winter, has ample parking and space, and buildings that could meet *Ice Alaska* needs. ARRC also supports discussion with the Fairbanks North Star Borough about executing a lease. In 2009, ARRC forwards a long-term pre-paid lease proposal to the borough for consideration.

2010

As the deadline approaches to obtain funding or to vacate, *Ice Alaska* uses the media to plead its case for the Railroad to give the land to *Ice Alaska*. The Alaska Railroad and Fairbanks North Star Borough commit to a 2-month extension for *Ice Alaska* to remain on railroad property (until June 1) while finalizing a borough pre-paid lease or another solution. Any lease agreement will require ARRC Board of Directors approval.

Financial Impact

1996 to 2003

The Alaska Railroad made no money on this land from 1996 to 2003. *Ice Alaska* received the benefit of use of 25 acres at no cost.

2004 to 2009

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| • Fair market rental value of the Park and Pond (25 acres) | \$1,204,869 |
| • <i>Ice Alaska</i> rent payments made 2004 through early 2010 | \$222,000 |
| • Difference (waived rent / effective land use subsidy) | \$982,869 |