

Lease Handbook



Updated December 2015

For a lease application or more information, contact:

The Alaska Railroad Real Estate Department
P.O. Box 107500, Anchorage, Alaska 99501
phone: (907) 265-2325 email: HallJ@akrr.com
web site: <http://www.akrr.com/realestate>

ARRC

Steward of Our Lands

Our state-owned Alaska Railroad Corporation (ARRC) is steward of significant land resources in Alaska. ARRC real estate holdings consist of approximately 37,000 acres of land, which are dedicated to serving the state's transportation and economic interests, and to meeting railbelt transportation needs.

Roughly fifty percent of ARRC's lands support rail operations and provide the mainline right-of-way from Seward to Fairbanks. The remaining fifty percent are available for commercial and community use through leases and permits. These leasable lands are typically adjacent to rail lines, ports, and communities. Historically, railroad lands and activities have been closely linked with the development of Alaska's economy and population centers.

In the spirit of fostering community and commercial growth, as well as enhancing our state-owned Alaska Railroad assets, ARRC seeks to develop the untapped potential of many of its lands. This handbook is designed for community leaders, planners, and commercial parties as a guide to the process and opportunities specific to leasing Alaska Railroad lands.



Above: In Alaska's railbelt communities, such as Seward pictured here, ARRC's activities are closely linked with the development of Alaska's economy and communities.

OUR CORPORATE MISSION:

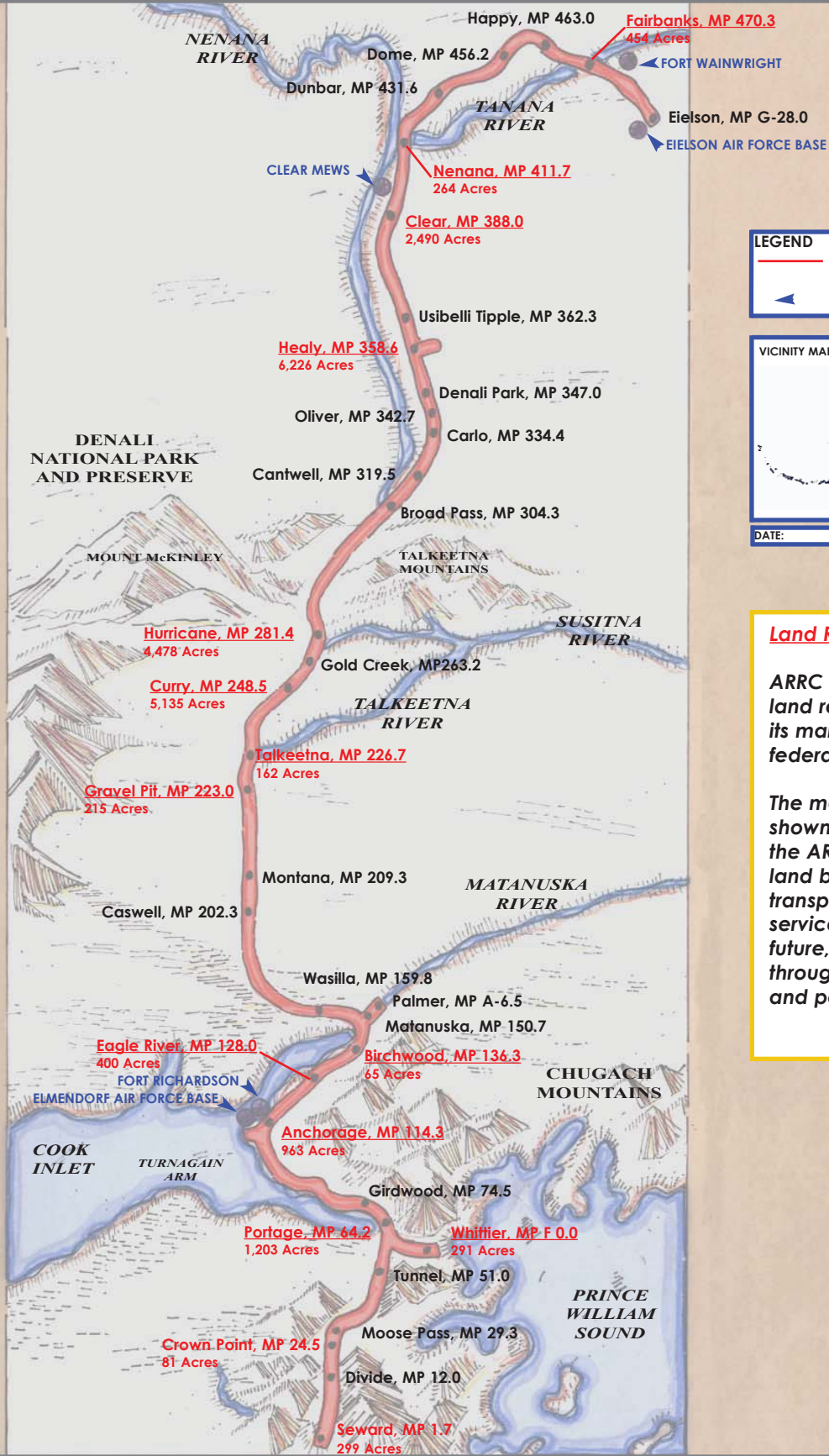
"To be profitable by focusing on safe, high quality service to our freight, passenger and real estate customers. To foster the development of Alaska's economy by integrating railroad and railbelt community development plans."



Left: ARRC's lands are managed by the ARRC Real Estate Department, located in the company's headquarters building in Anchorage's Ship Creek.



ALASKA RAILROAD MAJOR LAND RESERVES



LEGEND

- ALASKA RAILROAD
- MILITARY INSTALLATION

VICINITY MAP

Alaska

DATE: JULY 31, 2001

Land Reserves Map:

ARRC was deeded land reserves along its mainline by the federal government.

The major reserves, shown here, provide the ARRC with the land base to provide transportation services into the future, and income through land leases and permit revenue.

ARRC Land Use

Planning for the Long Term

As a state-owned entity, many of ARRC's land management policies are dictated by Alaska statutes. For example, ARRC is prohibited from selling, exchanging, or otherwise conveying a complete interest in its land.

However, ARRC may lease non-operating lands for up to 35 years as a source of funds for sustaining the railroad's transportation assets. Lease terms are intended to ensure that the railroad can meet and balance its changing transportation and land use needs over time. In several specific areas, such as in Fairbanks, Seward, and the Ship Creek redevelopment sites in Anchorage, an extension of these lease terms to 55 years is under consideration.

ARRC has approximately 275 long term leases, and a history of successful relationships with communities and businesses throughout the

years. In a number of communities, ARRC has endeavored to plan for the highest and best uses of specific areas, and has made capital improvements that support area-specific public and economic objectives. Recent examples of this in Anchorage include the **Ship Creek Development Master Plan**, and pedestrian safety improvements in the rail depot area.

In general terms, ARRC recognizes four classifications of land uses that have specific characteristics, infrastructure needs, and future land use goals. The main classification, **Rail Right-of-Way and Operating Lands** covers fifty percent of ARRC's lands. These lands are dedicated to rail-specific and transportation uses, as described below.

Lease lands are considered "non-operating" and generally host three categories of use, as described on page 4:

- **Commercial-Industrial Activities;**
- **Passenger Related / Tourism Uses; and**
- **Commercial Mix / Redevelopment Uses.**



Rail Right-of-Way and Operating Lands

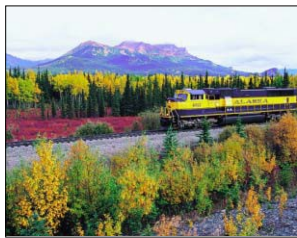
Half of ARRC's land is dedicated to supporting and maintaining the corporation's primary activity-freight and passenger transportation services. Although modern transportation technology allows for more efficient use of these lands, unforeseeable future demands must be met by their use.





Commercial-Industrial Activities

Industrial and commercial uses are well served by locating next to rail corridors and rail port junctions. ARRC appreciates the needs of its business partners, and seeks to maintain access, transportation links, and delivery systems that help its partners to succeed and grow.



Passenger Related / Tourism Uses

ARRC's passenger service provides access to spectacular scenery and the state's railbelt communities. Growth in the tourism sector means significant co development opportunities for strategic ARRC lands including retail and resort uses. New transportation services developed by ARRC in the future-including rail service connecting the airport to downtown Anchorage-will create additional development opportunities.



Commercial Mix / Redevelopment

ARRC recognizes the untapped potential of some of its highly visible vacant and/or underdeveloped lands. Anchorage's waterfront along Ship Creek and the Chena Landings area in Fairbanks are examples of priority areas for mixed use redevelopment. ARRC planning efforts for these areas are ongoing and have attracted significant community interest.

Lease Process & Timeline

Working with ARRC

As a state-owned corporation, ARRC has a fair and open process for establishing leases. The key steps in this process, which can take two months or more to complete, are as follows:

Five Steps to Leasing

- 1. Submit lease application.** Completely fill out all information called for by ARRC in the lease application packet, and submit with a \$500 non-refundable administrative fee (subject to change).
- 2. Administrative review.** ARRC's Real Estate Department performs a credit check, conducts a business plan review, and verifies that the information provided in the application is complete.
- 3. Land Appraisal.** ARRC hires an independent appraiser to assess the fair market value of the land for lease to establish the lease rent.
- 4. Public Review.** As a public entity, ARRC must advertise the proposed lease, and allow time for public comment prior to Board Approval of the lease.
- 5. ARRC Board of Directors Consideration.** The ARRC Board of Directors meets at least quarterly, and at that time considers all leases that have been through the administrative review process. After approval, the lease is finalized through ARRC's legal department and executed.

Lease Application Timeline

Below is a typical timeline for ARRC's lease application process. Some applications may take three to four months to finalize because of the public-owned corporation's stringent requirements.



ARRC: A State-Owned Asset

As a public entity, ARRC is required to provide public notice regarding proposed leases and land use changes.

ARRC leases are subject to federal, state, and local regulations (i.e., zoning, environmental laws, etc.), and property taxes.



Above: In some cases, such as during this Ship Creek public workshop, planning efforts between ARRC and the local community help determine the best outcome for all interested parties.

* Application processing is most often delayed by incomplete information.

Commercial Leases

Application Information Requirements

The following information must be submitted for a lease request to be considered. All financial information supplied to the ARRC will be stamped "Confidential" and will not be released for public scrutiny under applicable Public Records statutes.

EXISTING BUSINESSES

Sole Proprietorship

- Lease application
- Credit application
- Personal guaranty
- Statement of business purpose, prior experience of management or business owners
- Business financial statements: last two years plus most recent (signed and dated)
- Business tax returns: last two years
- Business license
- Written explanation of any significant financial changes over the last two years

Partnership

- Lease application
- Credit application
- List of partners and percentage of ownership
- Social Security Numbers of partners
- Statement of business purpose, prior experience of management or business owners
- Business financial statements: last two years plus most recent (signed and dated)
- Business tax returns: last two years
- Business license
- Written explanation of any significant financial changes over the last two years

Corporation

- Lease application
- Credit application
- Personal guaranty
- List of shareholders and percentage of ownership
- Statement of business purpose. Prior experience of management or business owners
- Business financial statements: last two years plus most recent (signed and dated)
- Business tax returns: last two years
- Business license
- Written explanation of any significant financial changes over the last two years
- If this information has been submitted within the past year, please submit updated information only.

NEW BUSINESSES

- Lease application
- Credit application
- Personal guaranty
- List of partners or shareholders and percentage of ownership
- Statement of business purpose, prior experience of management or business owners
- Pro forma two-year income statement
- Pro forma two-year balance sheet
- Business plan available



Above: Businesses leasing sites from the Alaska Railroad own and sell their improvements. The photos above show the many diverse businesses supported by ARRC lands in the Ship Creek area.

Examples of Public Entity Leases

Municipality of Anchorage

- Tony Knowles Coastal Trail, 2.18 acres
- Greenbelt lease, 30 acres
- Residential lease lot, <1 acre for two original ARRC houses donated to MOA

City of Whittier

- 160 acres (revenue sharing agreement for subleases executed by City of Whittier)

City of Palmer

- City Park and depot site, 3.5 acres

City of Wasilla

- Depot site, 0.5 acres

Matanuska Susitna Borough

- Parking lot and town square, 1.5 acres in Talkeetna
- Flood control project, 20.12 acres
- Chase Trail

Denali Borough

- Otto Lake Park, 13 acres

City of Nenana

- ARRC depot building, section house and other buildings donated to city.

Department of Natural Resources

- Tri Valley Cemetery in Healy, 6 acres
- Talkeetna boat launch, 10 acres
- Potter Historic Site

DOT/PF

- Whittier, Healy, Seward Airports, approximately 85 acres total
- Whittier Alaska Marine Highway Terminal, 3.3 acres
- Fairbanks Geist Road Project, approximately 50 acres total

Public Leases

Working with Communities

ARRC has always been a good corporate citizen by leasing and permitting a portion of its properties to government entities at under fair market value for public interest land uses.

ARRC currently has over twenty contracts to public entities for various land uses which cover more than 575 acres of land (this total does not include permits to State DOT and the various local communities for roads, crossings, and a multitude of utilities).

Communities interested in working with ARRC should contact the Real Estate Department to initiate negotiations.



Above: ARRC has provided leases to railbelt communities, such as Nenana (pictured top) for public interest uses. The flower gardens outside the Palmer Depot (pictured above) are an example of a public lease.

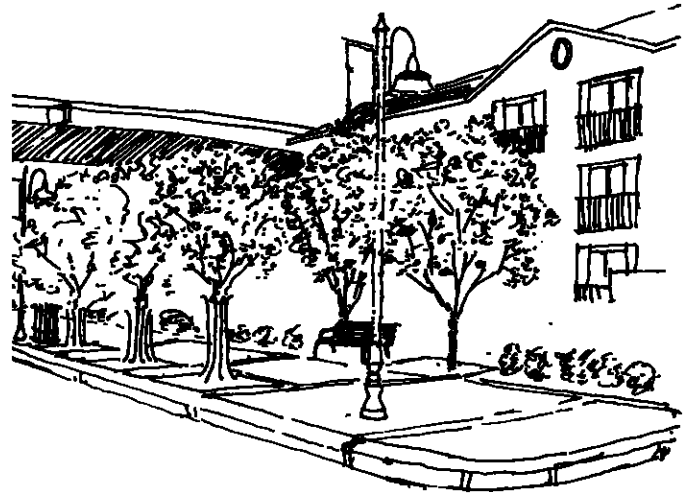
Development Opportunities

ARRC Looking to the Future

ARRC is steward of some of Alaska's most visited and visible lands. For example, more than half a million rail passengers travel through the Anchorage depot annually.

Some prime ARRC lands have significant untapped potential, which the corporation seeks to demonstrate to developers and the public. Areas with exciting mixed development opportunities at present include Anchorage's Ship Creek, Chena Landings along the Fairbanks riverfront, the Seward waterfront, and land adjacent to the Seward Airport.

As Alaska grows, ARRC seeks to attract the kind of developers and business partners that will continue to improve our economy, our visitor industry, and our communities' quality of life.



Above: The Comfort Inn along Anchorage's Ship Creek is one example of development that takes advantage of tourism opportunities in a growing market.

Ship Creek

Transportation-Oriented Development on Anchorage's Waterfront



Anchorage's urban waterfront has been identified by the public and the Railroad as a priority area for economic redevelopment. Lower Ship Creek Valley represents what is unique to Anchorage—its spectacular setting, its economic and industrial activities, its tent city heritage, and its people and cultures, past and present.



Public investment and improvements are under way in the area to support successful redevelopment:

- New Intermodal Facility - ARRC's historic Depot is being upgraded to host rail service from the airport to downtown, and potentially, commuter service.
- Intermodal facility co-development of parking and an enclosed pedestrian connection to downtown featuring business nodes and atriums is partially funded.
- ARRC is investing in pedestrian amenities to support year-round access, along with a strong sense of area identity and safety.
- Ship Creek access and trail improvements are funded to enhance recreational use of the area.
- Public investments are under way to improve area roads, the port, and other access infrastructure.
- Potentially, a new Anchorage Civic and Convention Center, could bring new activity and investments into the area.



Prime parcels located around the rail depot, Intermodal Facility, and south of Ship Creek provide an immediate opportunity for development. ARRC has performance-oriented design guidelines for these redevelopment sites which allow flexibility, yet also to give ARRC and developers improved economic returns over the long-term, while protecting the state's interests and helping Anchorage to realize its desire for quality waterfront development.

Key Features:

- Adjacent to downtown
- Waterfront access, scenic views
- Improved Intermodal Facility with rail, pedestrian, and bus access
- Future airport to downtown and commuter service
- Planned for quality development



Seattle's Pike Street Market points to the potential of Anchorage's urban waterfront.



Chena Landings

Fairbanks Riverfront Development

ARRC's Chena Landings is located on the riverfront in the heart of Fairbanks. Easy access and visual exposure from major roads (the Johanson Expressway and Peger Road) is complemented by direct pedestrian access over a new bridge to Alaskaland and the Carlson Sports Center.

Leases are available on 50+ acres with good drainage and level topography. The area is zoned General Use (GU-1) and is served by public fire protection and road maintenance.

One mile northwest of downtown, Chena Landing's visibility and easy access could support a retail outlet, or large department store. Co-development with the existing Comfort Inn, the Ice Alaska Championship Ice Carving Event, or with the nearby Alaskaland and the Carlson Sports Center, could take advantage of the riverfront's tourism potential.



Key Features:

- Riverfront setting
- Visual exposure to/from Johanson Expressway
- Alaskaland and Carlson Sports Center access via new footbridge
- Zoned General Use (GU-1)
- Public road maintenance and fire protection



Seward's Waterfront

Tourism and Industrial Sites

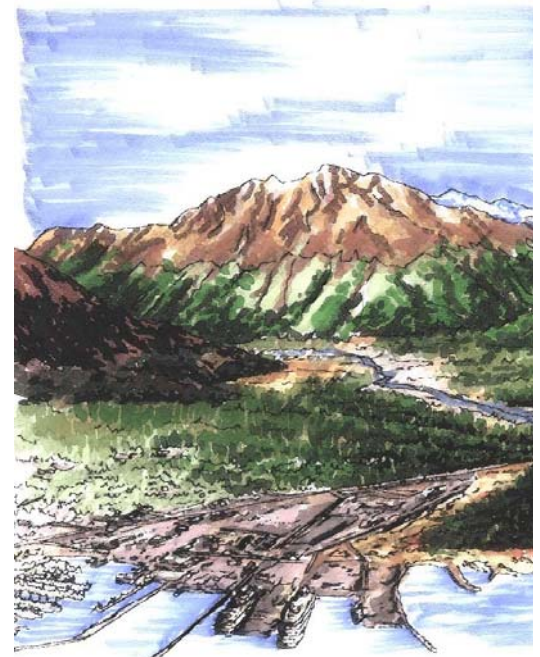
Tourism and industrial uses are both in full swing at the Railroad's terminus on the Seward waterfront. As the gateway to the Kenai Fjords National Park, Seward's waterfront annually hosts thousands of visitors and attracts over 100 cruise ship dockings.

Additionally, the Alaska Railroad brings over 700,000 tons of cargo transit each year through the port. In this busy waterfront context, ARRC has 26 acres available for lease.

A key attraction of the area is its direct access to the port, rail, and airport and just a short distance from the small boat harbor and downtown Seward.

Key Features:

- Unique intermodal access: port, rail, road, and airport
- Co-development opportunities with existing waterfront tourism and industrial activities



ARRC Contact Information

Alaska Railroad Real Estate Department

Address

Mailing: P.O. Box 107500, Anchorage, Alaska 99501

Office: 327 West, Ship Creek Avenue, Anchorage

Phone

Leasing: (907) 265-2325, or (907) 265-2466

email: HallJ@akrr.com

Our Board of Directors



ARRC's Board of Directors pictured left includes public and commercial representatives who establish ARRC policy and approve leases. L to R: Governor Bill Sheffield, Marc Luiken, John Binkley, Chris Hladick, Linda Leary (Board Chair), Jon Cook, and Jack Burton.

