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PORT OPERATIONS IN SAN JOSE HARBOR

Although the Department of Defense desires to purchase sea wall, docks and related land in the San Jose Harbor area, operation of that port will be a local civil responsibility.

- Public Law 92-340, enacted just a few years ago, does not permit military control of a harbor which is also the civilian community's only seaport.

-- Unless fully agreed to by civilian community

- DOD does not desire to control port operations.

-- Except if necessary to declare local waters a "Naval Defensive Sea Area" during wartime.

- Port operations include the provision of pilots, tugs, berthing assignments, services (water, electricity, fire protection, stevedores, cranes, etc.)

-- normally a joint understanding is formalized between the civil and military authorities to assure equal treatment and distribution of services.

U.S. Coast Guard, Department of Transportation, has broad authority and responsibility for the control and operation of harbors and internal waterways.

- Can advise Commonwealth of the Marianas on operating a port, establishing a port authority and drafting a civil-military use agreement.

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PRESENTATION OF RATIONALE FOR LAND VALUES

Introductory remarks: purpose is to acquire certain lands:

- at fair value
 - current market very limited
- without artificially raising land values in the area
 - which could stimulate greater inflation
 - make it more difficult for Marianas people to buy homesites and businesses.
- recognizing there are not many representative examples of recent land purchases, we can obtain an appreciation of the land market from a sampling of leases.
 - Records indicate some annual rates are:
 - MDC lease costs about \$1.00 per hectare (40¢ acre).
 - ranches or livestock land leases = less than \$1.00 acre.
 - commercial beach \$38 year
 - Continental Hotel starts at \$210 acre and after 50 years has risen to \$1,060 per acre.
 - Royal Taga Hotel is leased for 2 1/2% of gross or an annual rate of about \$58.00.

Explain development of a formula for arriving at land values.

- Four types of land are under consideration:
 - military retention lands.
 - public lands.
 - Village and agricultural lands

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-- Commercial land

- Military retention land under a valid use and occupancy agreement which was paid for thirty years ago.

-- Original sum paid was \$984,000 (current assets of fund - \$409,141).

-- term of retention lease is indefinite.

-- we are prepared to purchase residual rights.

-- \$40 acre paid in 1951 was fair (based on 1932-1942 prices) and if inflated at 10% per year, compounded annually, the value in 1975 would be \$394 acre.

-- Prepared to return large amount of these lands which will be same as additional funds.

- Public lands will be returned as promised.

---And the U.S. will then purchase at a reasonable price.

-- A paper transaction for District Land entity, with no legal fees or friction with private land owner

- Agricultural/Village lands will be purchased at a fair value.

-- Even undeveloped land falling into this category.

- Commercial lands are considered to have the highest value.

-- Those lands which could be used for businesses, light or heavy industry, or warehousing.

The categories of land encompass that which we intend to purchase on Tinian, Saipan and Farallon de Medinilla

- SUGGESTED OPENING FIGURES FOR TYPES OF LAND SHOWN

<u>- Tinian</u>	<u>Value/Acre</u>	<u>No. Acres</u>	<u>Total</u>
Retention Land	\$ 300	8,452	\$ 2,535,600
Public Land	\$ 800	8,223	\$ 6,578,400
Agricultural/Village	\$2,000	700	\$ 1,400,000
Commercial	\$3,500	100	\$ 350,000
	SUBTOTAL	17,475	\$10,864,000
<u>- Saipan</u>			
Isley Field	\$1,000	482	\$ 482,000
Tanapag Harbor	\$1,500	195	\$ 292,500
	SUBTOTAL	677	\$ 774,500
<u>- Farallon de Medinilla</u>	\$ 100	229	\$ 22,900
	SUBTOTAL	229	\$ 22,900
	TOTAL	18,381 acres	\$11,660,900

Finally, we propose to provide these funds to your District land authority in a lump sum payment for our land requirement.

- Authorized and appropriated by U.S. Congress as part of Act to establish the Commonwealth.

-- for use and occupancy until end of Trusteeship.

-- for delivery to the U.S. Government of the title to these lands on termination of the Trusteeship.

If you have other considerations on the land valuations, we would be happy to hear them.

TALKING POINTS FOR MPSC LAND PRESENTATION

PURCHASE VS. LEASE

I. Introduction

- U.S. has said many times and means it sincerely that it appreciates high degree of sensitivity Marianas people place on land and their feelings against its permanent alienation.

- Appreciate what this means in an island society.

- Appreciate quest of people throughout recent history to acquire land.

- We can also understand on this basis reasons why Marianas Commission has taken stand that while it is willing to make land available to federal government it does not want to do this in a manner which will constitute a permanent alienation of that land.

- This essentially provides what seems to be the principal rationale from MPSC position that it will lease but not sell land.

II. Rationale for U.S. position

- U.S. also recognizes that other island societies have gotten over their concern on this score so far as their own local governments are concerned and we assume the Government of the Northern Marianas will have right to purchase and own land for public purposes. In the case of other U.S. states and territories these governments (including islands like Hawaii and Puerto Rico) have no conceptual problem with federal government ownership of land.

- U.S. can understand why island people do not want land alienated to

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foreigners and has especially recognized this in the case of Hawaii and Samoa.

- But U.S. has great difficulty in equating this with making land available to one's own government, which is the center of the political family the Marianas has asked to join and not a foreigner, since the Marianas will be a part of it.

- This is particularly true when the federal government is committed to return land to local inhabitants when that land is no longer needed for public purposes.

- Appreciate argument that federal government may sometimes seem slow in other cases in returning unused public land, but this is almost always a short run impression.

- In many cases federal government is asked to hold unused areas longer to guard against undue speculation and those who would alienate land to foreigners for their own personal profit.

- In the San Francisco Bay area for example, people appreciate the fact that the U.S. Government holding of large amounts of public land has kept them out of the hands of speculators.

- As indicated in Marianas III U.S. will guarantee that land will be returned to Marianas when it is no longer needed for public purposes.

- This is required under executive order.

- No desire to hold on to land needlessly.

- Has in fact returned great amounts of federal land in the past.
(Cite Ramey AFB example)

- Contingencies are considered valid public purposes but in this case, as at Tanapag and Isely, U.S. willing to lease to Government of Northern Marianas

for nominal sums.

- Government of the Northern Marianas free to lease in turn for whatever going rate might be.

- Government of the Northern Marianas lease however must limit use to purposes compatible with possible military use (no high rise hotels for example) and lease must be automatically terminable if terms are violated.

- This constitutes "double payment" from Government of the Northern Marianas point of view.

III. Cost Factors

- Principal reason for our wish to purchase rather than lease land is that it is a clean transaction in which a single sum is paid for the current fair value of the land and that ends the matter until such time as the land is not needed for everyone's benefit and then reverts to local use.

- Experience has shown that this is the best way to handle such situations.

- It is the way land transactions involving the central government are handled in every major country in the world - even the communist states, where everything belongs in theory to the state anyway, though there is no suggestion of reversion there.

- The dedication of certain amounts of land to public purposes - including the national defense - is recognized throughout the world as a public responsibility.

- The federal government operates this way in every state of the union, the District of Columbia, the Commonwealth of Puerto Rico and all the other

territories and possessions of the United States.

- Experience has shown that with a lease, even a long lease, pressures can arise locally for renegotiation for many reasons.

- Political pressures rise as pressure groups are formed and special interests take over.

- The result is a continuing series of friction points which are unhealthy at best and can give rise to situations in which the public in general suffers from the special interests of a few who seek to gain profit from the rest.

- With a single purchase price the seller is able to take his money, invest it as he chooses (if he is smart he will invest it wisely in a way that will protect him against inflationary influences) and come out well ahead financially in the long run.

- From the standpoint of the central government when public funds are to be used in large amounts (over \$300 million in this instance) the exercise of common prudence demands that there be solid assurances of unfettered use of the real estate before such sums are committed for investment in costly construction. That investment should be protected not threatened by future uncertainties in the method of land acquisition.

IV. Attitudes of U.S. Congress

- Congressional practice is to insist on federal ownership of land before large expenditures are made. Congress in the past has simply refused to appropriate funds unless this is done.

- In present case we have consulted carefully with key members of Congress and influential staff members. Strength of views differ, but

all hold to view that purchase is far and away best means of handling land here. Some are adamant on the subject.

- Congress is sensitive to desire of its citizens and local governments to retain land for local uses and will not needlessly appropriate money for any more land than is absolutely needed for federal purposes.

- It has also been generous in turning back large amounts of federal land when no longer needed.

- Best example is return of thousands of acres of military land after World War II, a process still continuing.

- There is no reason to believe it will not continue to be so in the future.

- Everyone in the family after all has the same problems and responsibilities and Congress is most sensitive to peoples' desires in this regard.

V. Conclusion

- For all these reasons U.S. wishes to purchase land needed for public purposes with reversionary provisions in event of non-use.

- Purchase is less costly to the U.S. and benefits the Marianas.

- Purchase provides a generous, large sum for intelligent use and investment by the seller.

- Purchase minimizes future misunderstandings and arguments.

- Purchase is the way all other governments handle this and the way our government handles it everywhere else under the U.S. flag.

- Purchase is the policy of the U.S. Congress.

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TALKING POINTS FOR LAND PRESENTATION TO MPSC

LUMP SUM VS. PERIODIC PAYMENTS

I. Introduction .

- Closely related both to questions of lease versus purchase and methods of determining fair market value for land is matter of whether payments should be made in single lump sum or in periodic or installment payments.
- This could apply both to purchase or to long-term lease arrangements.
- U.S. has clear preference for lump sum and hopes MPSC does as well.
- Here are reasons for U.S. preference.

II. Advantages to Marianas.

- Provides large initial sum of money to Government of Marianas that should result in return of approximately 10% per year if properly handled.
- A good example of how this can work is found in the trust fund established with the money paid to TT Government by DOD in 1954 for military retention land.
- Initial sum was just under \$1 million for Marianas land.
- This money was placed in a "Special Deposit Fund" for the Saipan District, administered initially by the Department of the Navy (as administrative authority), and in 1969 the Fund was transferred to the Department of the Interior as the Navy relinquished control over the Marianas.

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- Control of the Fund was then delegated to the HICOM and thence to the DISTAD.

- At one time accumulated interest raised the value of the Fund to nearly \$1.5 million.

- The uses of the Saipan Trust Fund have varied.

- Some scholarships were granted several years ago and one economic development loan of \$25,000 was made to the Saipan Shipping Company. This loan has been repaid in full and no additional economic development loans have been made.

- The sum of \$882,322.34 was spent on the construction of Dr. Torres Hospital.

- A loan of \$130,000 was made to the Marianas District Housing Authority. # 409,141

- There is still \$ million left in the trust fund and it is still building up with accumulated interest.

- Proper investment of lump-sum payment should provide hedge against inflation and more.

- Interest could be plowed back into land development or other development projects, leaving principal intact.

(ii) - Would provide Marianas Government and its new land entity greater flexibility in dealing with private land owners by giving sufficient assets to make best possible deal for all concerned. (We assume here that Marianas land corporation would be dealing directly with private land owners, leaving U.S. Government out of it).

- Lump sum payment would be made immediately upon approval of Covenant by U.S. Congress, giving new Marianas Government a major source of funds, to invest and use as it sees fit.

III. Advantages to U.S.

- Single payment in single transaction if made to sellers satisfaction ends the matter.

- Avoids recurring annual appropriation problem with U.S. Congress.

- Avoids future arguments and misunderstandings.

IV. Assume MPSC will also favor lump sum, but need confirmation. If not, need to discuss at greater length.

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BACKGROUND PAPERS ON TERMS FOR LAND PRESENTATION

- IAG Study #1 cost estimates verified on 8 May 1974 by DOD Land Agent, and considered to be top dollar estimates for land are listed below.

--- Cost estimates for the various negotiating options are considered to be reasonable estimates based upon what little information is available - historical data of sales and land transactions on other islands, economic trends, and court awarded compensation in land condemnation proceedings.

--- Only in event top dollar prices not acceptable or in event of real hassle, on-site appraisals of land in question must be conducted to determine fair market value of the land to be acquired - U.S. Delegation can't exceed top dollar prices without this.

-- DOD estimate of maximum values for different types of land are:

--- Purchase

---- Military retention: \$500/acre for residual rights on Tinian and up to \$2,500/acre for residual rights to Tanapag and Isely. However, \$40/acre paid for retention lands in 1944 for indefinite use and occupancy rights was considered a fair price at that time as it was based on the average price per acre for land on Saipan between 1932 and 1942. It is believed that the terms of PL 155, 82nd Congress 1951, the PL under which the retention lands are acquired, would still stand up in court. Therefore, it is felt current re-negotiation prices for military retention are most generous.

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---- Public lands: \$1,500/acre

---- Agricultural and Village: \$2,500/acre

---- Commercial: \$4,500/acre

--- Lease

---- Retention lands: none since we already have a valid lease. However, if pressed, 1/10th of \$500/acre for Tinian and 1/10th of \$2,500/acre for Saipan.

---- Public land: 1/10th of \$1,500/acre

---- Agricultural and Village: 1/10th of \$2,500/acre

---- Commercial: 1/10th of \$4,500/acre

-- Based on the above figures, the overall maximum lump sum payments for military land requirements, based on an estimated number of acres of each type of land required, would be as follows: It must be noted that a land appraisal would be necessary to verify the exact number of acres in each category.

--- Tinian

	<u>Acres</u>	<u>Estimate</u>
---- Commercial (\$4,500/acre in the port area)	100	\$450,000
---- Agricultural and Homesites (\$2,500/acre: little of this land may be purchased outright leaving a cost estimate surplus that could be applied to other lands).	700	\$1,750,000
---- Public land (\$1,000/acre including 8,452 acres of retention land for which U.S. Government will be purchasing residual rights)	16,675	\$16,675,000
TOTAL	17,475	\$18,875,000

<u>---</u> <u>Saipan</u>	<u>Acres</u>	<u>Estimate</u>
---- Tanapag Harbor/Isley Field (\$2,500/acre)	<u>677</u>	<u>\$1,693,000</u>
<u>---</u> <u>Farallon de Medinilla</u>		
---- Entire Island (\$1,000/acre)	<u>229</u>	<u>\$ 229,000</u>
TOTAL	18,381	\$20,797,000

-- In computing lease payments for a 50-99 year lease, annual payments of 10% of the purchase price are made for lump sum lease payments, 99 years = 100% of purchase price and any lesser period would be a decreasing percentage, subject to negotiation.

-- Since the amount of land involved is the heart of a new status agreement (not price), and agreement on this acreage should be consummated before any land payments are discussed.

-- If actual terms are to be discussed following information regarding leases of public and retention land on Saipan and Tinian might prove helpful:

--- Source of information: Marianas District of Land Management (see attached fact sheet at Tab A for detailed information on various leases).

--- Average value of small livestock leases.

---- Saipan: \$1.79/hectare/year (\$.73/acre)

---- Tinian: \$2.35/hectare/year (\$.95 acre)

---- Leases were written about same period of time for both islands and are comparable in size.

---- From 1 JAN 71 through 31 DEC 72, MDC paid an average of \$1.01/hectare for the 3,035 hectares leased on Tinian.

--- Collections on small lease rentals have traditionally been poor. Such collections are made by the District Finance Office.

---- Collections of such rentals for FY 70 amounted to only 24% of monies due.

---- TT Department of Revenue reports this practice is still common.

--- Analysis of hotel leases revealing following information:

---- Continental Hotel: Saipan

----- Lease began 1 JAN 72 and terminated on 31 DEC 2001.

---- Area: 4.7532 hectares at (\$210/acre) \$520/hectare/yr for first ten years; (\$316/acre) \$780/hectare/yr for second ten years; (\$454/acre) \$1,120/hectare/yr for third ten years; (\$709/acre) \$1,750/hectare/year for fourth ten years; (\$1,060/acre) \$2,630/hectares/year for fifth ten years.

---- In addition to the minimum rental charges, all leases have an identical graduated gross receipts rental schedule (2 1/2-3%).

---- Inter Continental Hotel: Saipan

----- Lease began 1 JUL 71 and terminates on 30 JUN 2001.

----- Area: 3.08 hectares at (\$263/acre) \$650/hectare/yr for first ten years; (\$395/acre) \$975/hectare/yr for second ten years; (\$590/acre) \$1,460/hectare/yr for third ten years; (\$885/acre) \$2,190/hectare/yr for fourth ten years; (\$1,315/acre) \$3,250/hectare/yr for fifth ten years.

----- In addition 2-3% of gross receipts included.

----- Royal Taga Hotel: Saipan

----- Lease began 1 JUN 65 and terminates 31 MAY 85.

----- Area: 4.06 hectares at 2 1/2% of gross first ten years and 3% of gross for next ten years only.

----- TT Department of Finance shows receipts of \$17,521.29 for 1 APR 73 to 31 DEC 73.

-- If a lump sum is to be offered for the land, the figure should be well below the top dollar figures previously stated and be at a sum determined by the negotiator. It should be a price that is an accurate appraisal of land values and not a cause for an inflation of land prices throughout Micronesia.

-- Although the top dollar value of the land is estimated at \$20,797,000 (Tinian: \$18,875,000; Saipan \$1,693,000; Farallon de Medinilla \$229,000) it is recommended that the opening figure be in the neighborhood of \$11,600,000 (Tinian \$10,864,000; Saipan \$774,000; Farallon de Medinilla \$22,900).

-- Prices for the purchase of various types of land should be the negotiators choice. Details on suggested opening figures for various types of land are shown at Tab B.

--- Retention land (top figure \$500/acre on Tinian; \$2,500 for Isley/Tanapag), first offer \$100/acre on Farallon de Medinilla; \$300/ acre on Tinian; \$1,000/acre for Isley; \$1,500/acre for Tanapag.

--- Public lands (top figure \$1,500/acre; first offer \$800/acre.)

--- Village and Agricultural lands (top figure \$2,500/acre; first offer \$2,000/acre.)

--- Commercial (top figure \$4,500; first offer \$3,500/acre).

-- If a real confrontation develops over prices then an appraisal can be suggested to be followed by detailed negotiations by experts.

--- DOD appraisors.

--- Independent appraisor acceptable to both MPSC and USG.

- U.S. if offering to return 4,230 additional acres of military retention land that it no longer requires at what we consider to be worth \$3,195,500 (based on suggested opening figure for military retention land).

-- Tinian: 430 acres south of base boundary on eastern side of island at an estimated value of \$129,000 (\$300/acre).

-- Saipan? 3,800 acres at an estimated value of \$3,066,500.

--- Tanapag Harbor: 445 acres at an estimated value of \$667,500 (\$1,500/acre).

--- Isley Field: 689 acres at an estimated value of \$68,900 (\$1,000/acre)

--- Kobler Field: 796 acres at an estimated value of \$79,600 (\$1,000/acre).

--- Obian Bomb Dump: 2,244 acres at an estimated value of \$2,244,000 (\$1,000/acre)

--- Desik Rock: 38 acres at an estimated value of \$3,800 (\$100/acre).

--- Wallace Rock: 33 acres at an estimated value of \$3,300 (\$100/acre).

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Saipan - Retention Lands

Lease #	Name	Purpose	Begin	End	Cost	Area	Location
	Saipan Shipping Co (Jose Tenorio)	Commercial	1JAN63	31DEC67 (carried over)	\$653.76/yr	0.79 hectares	C Dock Retention Area

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Saipan - Public

Lease #	Name	Purpose	Begin	End	Cost	Area	Location
1	Luis A Benavente	Recreational	1NOV69	30OCT74	\$1/yr	0.63 hectares	Public
2	City of Saipan	Recreational	1JUL73	30JUN78	\$1/yr	0.3 hectares	Public
3	Dist Commissioner, Dist I	Recreational	1JAN72	31DEC77	\$1/yr	1.1 hectares	Public
4	Dist Commissioner, Dist II	Recreational	1JAN72	31DEC77	\$1/yr	1.1 hectares	Public
5	Dist Commissioner, Dist 5	Recreational	1JAN72	31DEC77	\$1/yr	0.13 hectares	Public
6	Dist Commissioner, Dist 7	Recreational	1JAN72	31DEC77	\$1/yr	0.36 hectares	Public
7	Sylvio C. Ada	Warehouse	Unknown	- oral agreement		0.27 hectares	Public
8	U. S. Govt.	Post Office	1JUL70	30JUN90	Unknown	0.1 hectares	Public

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Saipan (Leases)

<u>No.</u>	<u>NAME</u>	<u>Purpose</u>	<u>Begin</u>	<u>Ending</u>	<u>Cost</u>	<u>Area</u>	<u>Locati.</u>
	Francisco T. Palacios	Livestock	7-1-65	6-30-75	102.72/yr	71 hectares	Kagman
	Jose C. Cabrera	Livestock	7-1-72	6-30-77	240.00/yr	200 hectares	Kagman
	Vicente Mendiola Cabrera	Livestock	7-1-66	6-30-71	24.00 /yr	10.0 hectares	Retenti
	Jesus Sn. Cabrera	Livestock	7-1-66	6-30-71	173.76/yr	72.4 hectares	Retenti
	Jose C. Tenorio	Livestock	7-1-66	6-30-71	23.76/yr	9.9 hectares	Retenti.
	Jose C. Tenorio	Livestock	7-1-66	6-30-71	36.00/yr	15.0 hectares	Retenti
	Felipe A. Salas	Livestock	7-1-66	6-30-71	7.68/yr	3.2 hectares	Retenti
	Juan V. Benavente	Livestock	7-1-66	6-30-71	42.96/yr	17.9 hectares	Retenti
	Rosario S. Palacios	Livestock	7-1-66	6-30-71	9.60/yr	4.0 hectares	Retenti
	Juan M. San Nicolas	Livestock	7-1-66	6-30-71	24.00/yr	10.0 hectares	Retenti
	Gesina Taimanao	Livestock	7-1-66	6-30-71	12.00/yr	4.0 hectares	Retenti
	Nicolas T. Cruz	Livestock	7-1-66	6-30-71	48.00/yr	20.0 hectares	Retenti
	Vicente S. Camacho	Livestock	9-1-67	8-31-72	25.20/yr	10.5 hectares	Retenti
	Jose L. Chong	Livestock	11-1-67	11-1-68	52.00/yr	22.00 hectares	Retenti
	Teresa A. Ichihara	Livestock	7-1-67	6-30-72	48.00/yr	20.0 hectares	Public Do
	Jose C. Tudela	Livestock	7-1-67	6-30-72	18.00/yr	7.5 hectares	Public Do
	Augustin S. Tudela	Livestock	7-1-67	6-30-72	21.60/yr	9.0 hectares	Public Do

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No.	Name	Purpose	Begin	Ending	Cost/yr.	Areas	Location
	Pacific Micronesia Corporation	Resort Hotel (Intercontinental)	7-1-71	6-30-2001	\$2,000.00/yr from 7-1-71 to 6-30-81, \$3,000.00/yr from 7-1-81 to 6-30-91, \$4,500.00/yr from 7-1-91 to 6-30-2001, & option every 10 years, \$1,900 \$2,190 \$2,490 \$1,290/ann \$465.12/yr \$235/ann \$300.00/yr \$258/ann	0.650 0.975 (3.08 hectares) (1.51 hectares) 0.8 hectare 0.47 hectare	Beach front of (Micro area) Retention 1 Retention 1 Retention 9 (Kobler Field) Public Domain Retention 1 Retention 1 Retention 1
	Mobil Oil Micronesia Incorporated	Warehouse & Office	1-1-67	12-31-81	\$4,800/yr		
	Micronesian Construction Co.	Fuel Storage Facility	4-1-65	3-31-75	\$300.00/yr		
	Mobil Oil Micronesia Inc.	(Rock Quarry)	10-1-68	12-1-1981	\$2,400.00/yr		
	Micronesian Construction Co.	Social and fraternal Organization	4-1-64	3-30-74	1.00/yr		
	Micronesian Lodge, U. D.	(Concrete and Asphalt Products Plant)	6-1-65	5-30-66	\$360.00/yr \$15/ann		
	Birmingham Corporation of Micronesia	(Coca-Cola and soft drink manufacture)	1-1-69	12-31-74	\$1,500.00/yr \$600/ann		
	Exattling Company of Micronesia Inc.	Hotel	10-1-66	9-30-71	\$2,469.14/yr from 1-1-72 to 12-31-1981, \$3,703.71/yr from 1-1-82 to 12-31-1991, \$5,555.57/yr from 1-1-92 to 12-31-2001, & additional years, \$8,333.36/yr from 1-1-2002 to 12-31-2011, \$12,500.00/yr from 1-1-2012 to 12-31-2021 plus 2.3/10% of all Gross Receipts etc.	0.1 hectares 4.76 hectares	Beach Front (Micro)
	Continental Airlines Hotel	Hotel	1-1-72	12-1-2001			
	Royal Taga Hotel (Micronesian Hotel Corporation)	Hotel	6-1-65	5-31-85	2.1/2% of gross first ten years 3% for next ten years*	4.06 hectares	Public

*FBI Department of Finance shows receipts of \$17,521.29 for 1 APR 73 through 31 DEC 73.

Public - Tinian

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Lease #	Name	Purpose	Begin	End	Cost /yr.	Area	Location
18	Vicente T. Cruz	Livestock	1JUL66	30JUN71	\$12/yr	5 hectares	Public
19	Jose B. King	Livestock	1JUL66	30JUN71	\$6/yr	2.5 Hectares	Public
20	Dillingham *	Quarry	1JUL73	31DEC78	\$1,000 + 0.05/cu yd of material used.	12.1 hectares	Public
21	Mobil Oil		1OCT70	13SEP84	\$400/yr	0.067 hectares	Public
22	North Pacific ** Development	Coconut Oil Refinery	1JAN69	31DEC88	\$1,386/yr minimum or 1% gross receipts	2.67 hectares Tinian Dock	Public
23	Mariano Sn. Aguinngoc	Livestock	1NOV71	31OCT76	\$21.20/yr.	9 hectares	Public

* Pending per instructions of Distad
** Allegedly cancelled by High Commissioner

Retention - Tinian

Lease #	Name	Purpose	Begin	End	Cost/yr.	Area	Retention
24	Micronesia Dev. Co.	Livestock	11JUN65	10JUN85	1% gross, 1st 4 yrs 2% gross, 6 yrs 3% gross, 10 yrs *	535 hectares	

* Receipts from MDC for the period 1JAN71 through 31DEC72 amounted to \$6,132 based on 2% of gross revenue of \$306,644.94.

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LAND ISSUE SUMMARY

Following is a summary review and discussion of the U.S. position on several problem areas and issues confronting U.S. negotiators during Marianas IV.

LAND ACQUISITION

Background

Under the concept of acquisition visualized in the 19 March 1973 Marianas Study, the United States would have reached agreement with the MPSC on the broad concepts of the U.S. land procurement package and the specific details of an agreement on acquisition of public lands. Then it would have been up to the U.S. to negotiate for, and acquire, the private lands involved in the package. For this reason DOD developed (based on best data available - but without on-site appraisals) per-acre cost estimates for each type land to be acquired. In addition estimates were made on the value of commercial and residential structures on the Island of Tinian.

Subsequently, during the December 1973 session of talks, the MPSC outlined their views on the recently published U.S. proposal for the return of public lands. Therein, they made clear the desire to have their "Marianas legal entity" handle all land transactions with the United States on a package basis. They would acquire all lands and then transfer the package to the U.S. -- The U.S. negotiators agreed to this principle! (U.S. paper of 16 December 1973).

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Issues:

1. Purchase vs. Lease

A. Discussion - The U.S. position as put forward during Marianas II was "the U.S. expects to purchase" its land needs. During Marianas III the position remained basically unchanged except softened by "U.S. prefers (or "would like to")" purchase". With this in mind the following points are pertinent.

- To date, the MPSC has opposed sale of lands to U.S. While their written submissions at Marianas III leave an opening on this issue, the basic position, as expressed in those documents and (especially) in oral discourses, of the MPSC is clear.

- DOD's argument for the acquisition of U.S. lands by purchase is at Tab 1.

- Congressional opinion, as voiced to date (Burton-Jackson, etc.) have supported purchase. Congressional views are vital; as the legal authority to acquire land must come from the U.S. Congress, along with an appropriation for the acquisition costs.

- The legal problems in constructing the Tanapag Memorial Park would be compounded if the land cannot be purchased.

- Although Presidential instructions give Ambassador Williams flexibility on lease or purchase, there is little room for compromise of present stated positions short of either side falling off except at Isley Field where a lease or a purchase option to be exercised only in the event a permanent use arises, should be acceptable to the U.S.

- In this respect it should be useful to reiterate the previously stated U.S. position that we could agree to a restrictive covenant on the purchased land requiring its return to the Marianas District Government when no longer needed for U.S. purposes.

B. Recommended Position - The stated U.S. negotiating position on this issue should remain unchanged. However, if flexibility in this area becomes necessary to an otherwise satisfactory agreement, a U.S. fallback is included in Presidential instructions.

2. Cost of Land

A. Discussion - In the 19 March 1973 IAG Study detailed cost estimates, less relocation, resettlement and structures costs, as follows:

"The following cost estimates for the various negotiating options are considered to be reasonable estimates based upon what little information is available - historical data of sales and land transactions on other islands, economic trends, and court awarded compensation in land condemnation proceedings. (One of the most important inputs is not available - the expectations of the Marianas Status Commission. They can only be determined in the course of land negotiations and may be rather inflated)."

	<u>TINIAN</u>	
	<u>Acres</u>	<u>Estimate</u>
Commercial (@ \$4,500)	(Assuming purchase of whole island) 100	\$ 450,000
Village & Agricultural (@ \$2,500)	1,440	\$ 3,600,000
Public Land including Retention Area (@ \$1,000)	<u>24,600</u>	<u>\$24,600,000</u>
TOTAL - - - - -	26,140	\$28,650,000

SAIPAN

Tanapag Harbor & Isley Field (@ 2,500)	820	\$ 2,100,000
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FARALLON DE MEDINILLA

(@ \$1,000)	229	\$ 229,000
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GRAND TOTAL - - - -	27,189	\$30,379,000
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- In addition to the above, OSD estimate of 25 April 1973 estimated the average value of dwellings on Tinian at \$8,000. (\$1.2 million for 150 houses).

- Further efforts for determining more precise real estate values on Tinian through on-site appraisals were scheduled as a part of Crested Isle Phase I. These efforts were postponed at the request of OMSN as being premature, politically difficult and generally unnecessary per U.S./MPSC understanding. OSD agreed, as the lump-sum approach was much simpler to implement.

- Even so, subsequent modifications of DOD requirements (safety arc and village relocation not required) have made the cost estimates for village and commercial property (within the village) largely academic.

- By telecon with Mr. Roy Markon (NAVFACENGCOM) on Thursday, 2 May, all of the above cost per acre data have recently been verified as currently valid and "generous". (A recent lease for prime commercial beach front property between Messrs Ken Jones and Herman Manglona at an annual lease cost of \$480.00 per acre, reinforces NAVFAC estimates).

- Note that the above data represented top dollar estimates of land values and did not address such fine points as retention land residual values or any bargaining strategy.

B. Current Position - Even considering the sharply reduced need for DOD procurement of commercial and village properties, the estimates of the March 1973 Study are still supported. However, the reduced acreage requirements reduce the overall maximum U.S. land cost estimate to the following:

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TINIAN

	<u>Acres</u>	<u>Estimate</u>
Commercial (@ \$4,500) (in port area)	100	\$ 450,000
Homesites & Agricultural (@ \$2,500) (little of this land per-se may now be purchased outright leaving a cost estimate surplus that could be applied to other lands)	700	\$ 1,750,000
Public land including 8,882 acres of retention land for which the U.S. Government will be purchasing residual rights (Average cost \$1,000)	<u>16,675</u>	<u>\$16,675,000</u>
TOTAL - - - - -	17,475	\$18,875,000

SAIPAN

Tanapag Harbor/Isley Field (@ \$2,500)	820	\$ 2,100,000
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FARALLON DE MEDINILLA

Entire Island (@ \$1,000)	<u>229</u>	<u>\$ 229,000</u>
GRAND TOTAL- - - -	18,524	\$21,204,000

- In computing lease payments for a 50 to 99 year lease, annual payments of 10% of the purchase price are made. For lump sum lease payments, 99 years = 100% of purchase price and any lesser period would be a decreasing percentage, subject to negotiation.

C. Suggested Negotiating Strategy - The U.S. strategy should be geared to maintaining the initiative, dealing in package amounts, and avoiding haggling over dollar amounts. Since the amount of payment per-se will probably arise in the lease vs purchase controversy the following points may apply to either lease or purchase.

- Since the amount of land involved is the heart of a new status agreement (not price), an agreement on this acreage should be consummated before any land payments are discussed.

- Reiterate the validity, if U.S. wanted to lease only, of existing retention leases. -- However, state that U.S. wants to be fair and hence the proposal to return the majority of this land on Saipan without stated quid-pro-quo, while asking for another 9,000 acres more or less on Tinian. Also, the U.S., in its purchase proposal, plans to pay for the residual rights to the retention lands it now holds.

- State that: as they can see, the formulae of how much for this, or that, piece of land and what is a fair exchange, etc., is very complicated and would be a nightmare to address in this forum. Therefore, the U.S. was very pleased to agree with the MPSC proposal made at the last session of talks, and as validated with your Chairman in Honolulu, that we deal with the new land entity on a package (lump-sum) basis.

- State that the Naval Facilities Engineering Command, who is responsible for U.S. land activities in this area of the Pacific, has taken a detailed look, taking into account fair value per type of land to be acquired, existing U.S. land rights and the U.S. negotiators desire to be more than fair in their offer. They have arrived at a figure of between \$17,000,000 and \$21,200,000 as being the top fair value range justifiable to the U.S. Congress, with the exact price depending on method and duration of acquisition.

- The above mentioned figures are the base figures. Any leases (from now til purchase date) are computed at a 10% annual rate, or \$1,700,000 to \$2,120,000 per year. This may appear a large figure but inflation factors will, over the years, make such payments look cheaper while the recipient could have taken the lump sum and realized more than a 10% annual return by investing it. In addition the lump-sum becomes a base for subsequent bank borrowing if desired! --- So you see, a lump-sum payment is simpler and permits the recipient to "have his cake and eat it too".

- If long-term leases are discussed, we might point out that purchase value is the basis for lease prices.

- (a) 99 years lump sum payment = same as purchase price
- (b) 99 year annual lease payment = 1/10 of purchase price
- (c) lump-sum payment for lesser term lease = amount less than purchase price (negotiable)
- (d) annual lease payments for lesser term leases would = 1/10 of value of (c)

Hence the NAVFAC estimate of 17 to 21 million as the acceptable range of remuneration.

- (a) 50 year lump sum = \$17,000,000
- (b) 99 year lump sum = \$21,200,000

CAUTION ---- During these pricing talks we should make every effort to avoid specifics of how much we value types of land - If we give-in to discussing any options other than a lump-sum package, "one controversy becomes a thousand" and we get into a type of negotiation requiring participation by experts.

- In the event of a "hassle over total price" the MPSC could be reminded that the U.S. position from the beginning has been fair market value and we feel the current offer is well above such value. ---

Every effort should be made to gain a broad agreement within the broad ranges shown above.

- Only as a last resort should we discuss independent appraisers (See item 3) --- The OMSN real estate advisor states that the use of such a solution puts the U.S. in a box of third party arbitration. The U.S. could then be bound by an amount that may be unacceptable.

D. Fallback Information - In case some illustrative data becomes necessary in the negotiations, the following represents early Defense Department thinking on fair land values, (before adoption of the macro approach) used in the IAG study.

1. Purchase

- (a) Retention lands - \$500 per acre for residual rights on Tinian and up to \$2,500 per acre for residual rights to Tanapag and Isely.
- (b) Public lands - \$1,500 per acre.
- (c) Agricultural & Village - \$2,500 per acre.
- (d) Commercial - \$4,500 per acre

2. Lease

- (a) Retention lands - None
- (b) Public lands - 1/10th of \$1,500 per acre
- (c) Agricultural & Village - 1/10th of \$2,500 per acre
- (d) Commercial - 1/10th of \$4,500 per acre.

3. Selection of Independent Appraisers

A. Discussion - As the negotiations on land become more specific the issue of "fair price" may have to be addressed. To date the U.S. has simply made clear its willingness to pay a fair value price for its land acquisition.

- While there has been no formal MPSC position on determining price, the issue of independent appraisal will undoubtedly arise at this session. The MPSC will want to be assured that the appraiser or appraisers selected are independent.

- A check with NAVFAC reveals

(1) There are only a few qualified appraisers in the area.

(2) Most of these appraisers would be satisfactory to DOD.

(3) The CMSN real estate advisor suggests that the U.S. negotiator can propose that a list of area qualified appraisers be made up from which the Marianas can delete names as desired. Then, both sides could agree on a selection from the remaining list.

- Such costs are part of the land procurement expenses.

B. Position - If such becomes necessary, the U.S. can be very flexible and forthcoming on the selection of a Pacific area qualified independent appraiser, with MPSC or the new Marianas land

entity given the authority to purge the list.

4. Role of the Marianas Government in implementing agreed land transactions

A. Discussion - The MPSC has stated a position on this issue that is very clear and generally acceptable to the U.S. However, because some specifics of their suggestion relating to U.S. funding and other support may be unacceptable and at a minimum require clarification, and because their position is based on the assumptions that the public land transfer will have been completed and the Marianas land entity will have been created, this issue must be addressed in depth. Other alternatives should be explored.

- In the event the public lands have been transferred, only those points of issue raised in the U.S. response of 16 December 1973 (to the MPSC position paper of 13 December 1973) need to be raised. These are:

(1) Relocation payments - The MPSC has asked the U.S. to provide relocation payments and assistance under the Uniform Relocation Act. The U.S. said O.K., but negotiators need to agree on how this is to be accomplished.

(2) Advance financing for private land acquisitions - The MPSC papers ask that District Legislatures receive an "advance" from the U.S. on any lease or purchase in order to finance acquisition of land for U.S. use. Assuming that the MPSC meant private property, the U.S. stated they expect to provide a lump sum for purchase of all land public or private; however, timing of delivery of this and whether or not it will be in installments must be

discussed with technical real estate people.

NOTE: This check reveals that: since the U.S. Congress must approve and fund land acquisition before-hand, advance financing (even if possible) appears improbable in the near term. -- Thus, the need to transfer land and begin base construction as soon as approved by Congress may necessitate another course of action involving some direct U.S. acquisition.

(3) Interests in land to be acquired. The MPSC suggests that their entity (corporation) will convey to U.S. "such interests in land required for military use, in such amounts and on such terms and conditions as are set forth in Agreement". The U.S. agreed to this concept with the understanding that the U.S. wants to lease under Trusteeship and purchase afterwards. --- The U.S. has further stated a need to examine closely what the Marianas' terms and conditions might otherwise be, specifying that on a purchase they must be minimal except for the type of reversionary clause previously discussed.

- In the event some or all transactions in land must be begun or completed before public lands are transferred (to permit DOD construction preparations) or before the Marianas land entity is legalized, several options should be discussed:

(1) The machinery of the Trust Territory Government could be utilized to acquire and transfer to the U.S. part or all lands specified in the agreement, under the terms of the agreement. -- While relatively simple, this solution is probably politically unacceptable to the Marianas. In addition, it carries the highest onus of U.S. paternalism, and argumentative legality.

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(2) The U.S. could separately implement its public land transfer commitment for the Marianas District by executive order as part of the executive process of approving the agreement. Therein several sub-options are apparent:

(a) The Marianas Legislature could then organize a land board, or another entity, pending the formation of a permanent land entity.

(b) The executive order could establish such an entity.

(c) The U.S. Government (DOD) could be authorized to deal directly with private property owners, as well as authorized to purchase the public lands in question at a price decided by an independent appraiser. Such authority would be granted by the Marianas Political Status Commission and the District Legislature.

These courses of action, except (a), carry an onus of excessive U.S. participation. Thus they may be undesirable to one or both parties. However, all could evolve into whatever land control system is eventually desired by the Marianas Legislature.

(3) Alternative methods of U.S. payment for these lands must be discussed, with each transaction to be made clearly without the influence of, or any obligation to, the COM.

(a) If the Marianas Legislative (entity) will not effect a free exchange of public land in the southern 1/3 for northern homesteads, some funds may have to be obligated for early purchase of such public land. - During the period prior to trusteeship termination, such action would have to be accomplished under the auspices of a Mariana entity that can own land, with the U.S. paying for the transaction.

(b) Under the lease/purchase plan, if utilized, some funds must be paid for the pre-purchase leases. This amount, usually a maximum of 10% of purchase price per year, must be decided. This compensation will be complicated by the fact that the U.S. will already have paid for the homestead trade-offs and presently holds a valid lease for 8,882 acres of retention land, for which no further lease payments would be justified.

(c) Payment may take the form of a single cash transaction that ostensibly purchases the land, but is considered a long-term lease for the interim period and is finalized as a sale after the end of the Trusteeship.

Although the U.S. Congress must approve and appropriate funds for all methods of payment or variations thereof, the U.S. negotiators nevertheless have a lot of flexibility, as long as agreements are part of the package deal, the transaction is legal, and as long as the net costs do not vary significantly.

B. Position: With the understanding that all land transactions must follow U.S. Congressional approval the U.S. has a lot of flexibility in negotiating and implementing the specifics of any land transaction. As long as the method

- (1) facilitates fastest occupation by DOD,
- (2) results in relatively equal costs, and
- (3) protects rights of all parties,

the U.S. can be forthcoming. In any event further discussions to determine the desires of the MPSC should precede the determination of a U.S. position.

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STRATEGY FOR ADDRESSING THE NEW TINIAN RELOCATION POLICY

A. Discussion - From the beginning of land negotiations (during Marianas II) the U.S. has steadfastly maintained the position that the population of San Jose Village must relocate to a point outside an ammunition safety arc of 2,000 meters from the center of the harbor.

- This position was based on map and data studies that determined there was no other harbor site on Tinian and that it was therefore necessary to unload all ammunition ships in the San Jose harbor.

- Subsequently (after Marianas II), two representatives from CINCPAC were permitted to visit Tinian to ascertain whether there were alternatives for handling ammunition. Without detailed survey and planning data, they determined that an ammunition unloading slip (channeled into the side of a large cliff-like outcropping) was feasible at a cost of approximately \$9.5 million.

- In the absence of detailed survey and planning data, DOD concluded that there was no sound basis for changing their position, particularly since preliminary estimates indicated the ammunition slip alternative to be at least as expensive as relocation.

- Subsequently, several events and findings have arisen that materially affected the previous DOD position:

(a) Crested Isle, Phase I, was initiated after gaining the approval of OMSN.

(b) With surveys being conducted providing improved data, with detailed base planning nearing completion, and the practicability of all options being determined, more accurate cost estimates and operational considerations were possible.

(c) The MPSC in their 1 June 1973 land response stated; "The Commission is especially concerned by the dislocation and loss of land resulting from the military's inclusion of the present harbor in the United States' request and the accompanying safety requirements".

(d) In their December 17, 1973 position paper, the MPSC made clear they were not prepared to agree on the amount of Tinian land and they expected detailed justification from the U.S. for the next round.

(e) During many informal conversations, MPSC members also made the point that relocation was the most difficult part of the U.S. proposal to sell.

(f) In addition to the above factors, pressure was put on DOD to reduce land requirements to an absolute minimum, and to further justify their position on the previously rejected alternate ammunition slip option.

(g) Estimates of relocation costs soared while cost estimates on the ammunition slip were more stable. In addition, operational considerations, not fully appraised before, favor the alternate slip.

- As a result of the above, DOD initiated a complete re-look of the Port, ammunition slip and relocation problem, immediately after Marianas III, and as fast as data from their surveys would permit. This study resulted in support for the alternate slip concept, elimination of the need for 1,000 acres of land (safety arc), and elimination of the need for relocating San Jose Village.

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- Several major advantages will accrue to the U.S. from this position change;

- (a) A costly miscalculation has been averted.
- (b) Ammunition handling will be more secure and responsive.
- (c) San Jose Village will no longer have to relocate, eliminating a myriad of relocation problems.
- (d) Acquisition of lands east and south of San Jose for a safety arc will no longer be required, resulting in a much more realistic, simpler to implement and salable land requirement package.
- (e) Simplifies the base boundaries and facilitates nearby civil military housing and other complementary facilities.
- (f) This position pulls the fangs of the many anti-U.S. critics who opposed relocation.

- Several major disadvantages, particularly from the negotiators viewpoint, are also apparent;

- (a) There is reason to believe that a significant portion of the Tinian populace, perhaps even a majority (who wanted new houses) desired to relocate. Therefore, significant animosity could result from the U.S. backing down from a proposal, regardless of whether the Marianas leadership had opposed it or not.
- (b) Depending on interpretations of the Presidential instructions and the IAG study, the chief U.S. negotiator may not have the option to offer alternatives. This would significantly reduce U.S. leverage by relieving the MPSC of any responsibility for selecting alternatives.
- (c) Additional pressure is likely to be forthcoming from the Tinian representatives for the U.S. to do something special for Tinian.

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(d) This will create an immediate request from some (Borja?) for lifting the moratorium. - It is very likely that the majority of the MPSC is gladly letting Ambassador Williams "take the heat" for something they consider necessary, until their new land policy is formulated. -- An indication that the U.S. will now reconsider the moratorium may make sparks within the MPSC and may take some heat off the U.S.

B. Optional Approaches to the Relocation Problem

- Do very best to convince MPSC not to move village.
- Stonewall approach with onus placed on MPSC

(a) U.S. committee to relocate village only if overwhelming majority agreed.

(b) MPSC and Tinian leaders expressed strong misgivings.

(c) With the understanding that all offers are ad referendum until accepted, DOD took hard look at alternatives.

(d) New position most defensible to U.S. Congress.

(e) DOD cannot now support relocation.

(f) Village development must now be a part of Marianas

CIP Program.

- Keep Both Options Open

(a) March 1973 IAG Study and Presidential instructions constitute necessary legal authority. (However, some arguments could be made otherwise).

(b) Without the restrictions of a safety arc, siting options for village relocation are increased.

(c) Gives U.S. negotiator greater flexibility.

(d) DOD funding for relocation would be impractical and unlikely.

(e) Funding for relocation would then be most practically accomplished through inclusion as part of the overall status package.

- Seek Reconstruction in Current Location (This is an alternative of number 2, but must be exclusive of 2 because it does not involve relocation).

(a) Simplest solution, if the population remains in place.

(b) U.S. negotiators have no authority per-se to promise such action.

(c) Several possibilities may be available pending action by the Under Secretaries Committee.

(1) May include dollars for reconstruction in the status settlement package as a separate item. - (However, such action may require a change in Presidential instructions to raise the ceiling).

(2) May expand funding of CIP program included in the financial support package.

(3) Sewer and water construction subsidy may be available through HUD.

(4) Home loans may be available through HUD.

(5) Street and road assistance may be available through the Department of Transportation.

(6) Clinic construction could be made available through HEW.

(7) Manning of clinics by medical personnel is available through HEW (if directed as priority).

(8) School construction (improvements) may be available through HEW.

(9) Other educational assistance, including teachers, may be available through HEW.

(10) Assistance (subsidies) to individual farm home construction may be available through the Department of Agriculture.

(11) Community Buildings and Park Construction may not be available except as part of the status package.

(c) The major advantages of this option is that it is apparently the best of both worlds. They get their village and do not move.

(d) The disadvantages, however, are major:

(1) There is no department of the Federal Government which could be logically assigned single responsibility for this action.

(2) An Under Secretaries Committee effort would be required, weakening OMSN influence on the mechanics of any solution.

(3) Existing public laws are vague and many would have to be changed to permit priority consideration to Tinian.

(4) Such action may favorably influence only two members of the MPSC. - Other members may already be unhappy with Tinian's spotlight.

(5) Establishing a precedent of giving one area of the U.S. or one U.S. Territory priority over all others (Normally assistance programs are on a fair share by population basis).

a Would endanger its salability to U.S. Congress.

b Such unprecedented favoritism may cause a significant switch in pro-U.S. (pro-commonwealth) support in areas of Saipan and Rota that receive no such assistance.

C. Position - The above analysis indicates that the position on relocation to be taken initially should be one of outlining and explaining the new U.S. position in the most favorable light possible, and to cast this explanation so that it clearly indicates the action was taken largely in response to MPSC objections - clearly the U.S. must retain the initiative on this issue.

D. Questions that the above may generate

Q. (Joe Cruz?) I have been working hard and have now convinced the majority of the people that relocation and the promise of a new house in a new village is in their best interests. --- What can I say now?

A. At this point I should reiterate what I have already said:

1. The new solution is best for long-range.
2. The new solution provides more land to the civil government.
3. Necessary village construction could be reslated as part of the overall Marianas CIP effort. Therein Tinian should surely fare well.
4. Much simpler procedure (legally) for everyone.
5. People, with much better jobs than they now have, will become eligible for home construction loans (HUD, etc).

6. Without relocation there is no longer any justification under the relocation act for according special treatment to the people of San Jose. I might add that they will still reap the greatest benefits from the U.S. base.

7. While many U.S. programs may be available to help, these are available to all U.S. citizens.

8. Under this concept, which moves the ammunition slip north, DOD cannot justify relocation and thus cannot build new houses. (except for two homes which must still be purchased).

FALLBACK: Only if deemed critical to the success of the negotiations, (for reasons outlined above) it might be said that: "I have taken steps to have this problem addressed within all departments of the U.S. Government to determine the extent of any immediate assistance the U.S. may provide for new houses and facilities, without the people of San Jose having to move to a new location.

Q. What about the Tinian Port - will the military control it?

A. There is no change in this overall requirement. This port will be used for all items except ammunition.

1. Must still be rehabilitated at cost of more than \$1.5 million.

2. Extensive warehousing and storage will be in area.

3. Only modification is the warehousing which is now all located in northern part of the port area.

However, all restrictions previously outlined on civil port use, (caused by ammunition unloading) no longer apply.

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Q. What effect will the new position have on the land moratorium?

A. Because everything we agree to here is ad referendum, there should be no major change to the moratorium until our land agreement is complete.

DISCUSSION (not for communicating to MPSC)

This new position opens several options for dealing with the moratorium:

1. The moratorium could be lifted south of new boundaries, with no strong DOD objections. (after trade-offs for homesteads in northern 2/3).

2. It could remain as stated above.

3. The decision could be passed to the MPSC. --

---Herein: There is reason to believe the several members of the MPSC as well as other Marianas leaders, support the U.S. moratorium position, at least until their new government land entity has an opportunity to review the overall program. However, at present, they can criticize and let Ambassador Williams take the heat. Therefore, it may be advantageous to informally discuss such action with key leaders to ascertain their reactions. --- Some leverage for the U.S. may result therefrom.

Q. Will the military now do anything for the civil community?

A. Of course, a defense base provides a job market and a myriad of economic benefits. In addition the proposal would not affect:

1. Long-range cooperation in schools and education (DOD dependents don't arrive until after 1980).

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2. Long-range medical cooperation.
3. Assistance in construction of some main artery roads.
4. Long-range sewer, water and utility systems cooperation.
5. Normal, safety, search/rescue, and community development cooperation.

Q. Will DOD still buy the harbor?

A. Yes.

Q. Will any homes in San Jose be affected?

A. We expect DOD acquisition to affect only two private homes. The owners will receive the option of full payment or relocation to a new home on Tinian. If they desire to move elsewhere, private homes are available for purchase and the relocation act does not apply. Then, they must accept full payment only.

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RESPONSES TO SPECIAL LAND ISSUES

1. Environmental Impact Statement for Farralon De Medinilla

In accordance with U.S. commitment during previous sessions of Marianas talks, an environmental impact statement has been completed and distributed in accordance with existing law -- Response to questions regarding Farralon might include:

- The MPSC has copies of ~~this~~ statement which answers questions on frequency of use as well as the environmental effects.

- The MPSC Trust Territory Government and people of Marianas have had ample opportunity to comment in writing or call for a hearing as proscribed in the study itself.

- The U.S. hopes this statement has removed the last substantive obstacles to final agreement on U.S. need for this is land area.

2. Isley Field:

During Marianas III the MPSC proposed that Isley Field "will be under civilian control and will continue to be available to U.S. military forces on a joint use basis". "250 acres of land located near the south end of the field would be leased by the United States and an adjoining 250 acres would be made subject to restrictive covenants like those proposed for Tanapag".

The U.S. "continued to need 500 acres, but was willing to consider the MPSC proposal further, including a review of the proposed restricted covenants for Tanapay and Isley" --- Herein U.S. negotiators might achieve advantage from showing flexibility on this non-substantive issue at the outset by:

- Stating that the U.S. would like to explore their proposal in greater depth, particularly the proposed restrictive covenants.

- The U.S. could accept a lease with an option to purchase only if a contingency requiring permanent use of the area arises.

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- The key item the U.S. is after is that the land be available for contingencies.

- Of course, as will be discussed later, the U.S. would not be prepared to pay as much for these options.

3. Tanapag Land and Park

- During Marianas III the MPSC proposed that all Tanapag harbor retention land be returned to the public domain. However, they agreed to "enter into appropriate agreements to restrict the civilian use of the 320 acres requested by the U.S. so as to be consistent with possible military uses and would make that land available to the U.S. later if needed".

- The United States offered to return 320 acres of the present 640 acres of retention lands, keeping 320 for contingencies. However, the U.S. proposed that the majority of this retained land would be "developed as an American memorial park for the was dead of World War II".

- During the course of informal discussions, a number of conceptual park facilities were presented to the MPSC as examples of what U.S. could do. These were:

- Cleared beach front area.
- Shelter area.
- An area and facility for changing clothes.
- Picnic tables.
- Swimming pool.
- Ball fields and athletic courts.
- Arboretum.
- Monument to American Servicemen.
- Parking area.
- Gate or Archway.

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- Since Marianas III extensive effort has been put out by the DOD and Department of the Interior toward planning such a park. --- This effort was presented in a (April 30) meeting in the Office of Secretary Morton attended by DEPSECDEF, Chairman Joint Chiefs of Staff and Secretary Morton.

a. All agreed that the park was a great concept and useful for a variety of reasons.

b. The eventual addition of a museum was even discussed.

c. However, there was no agreement either to proceed with vigor or who should fund the project.

d. The prevalent view seemed to support such funding as a part of the status package when sent to Congress.

e. There seemed to be consensus only as follows:

(1) The project should be pursued.

(2) Interior would present OSD with a Phased plan, with a view toward doing most early work "on the cheap" (with military personnel).

(3) OSD would do as much early cleanup as possible with military teams but cautioned that such effort could not be extensive and had clear limitation.

(4) They agreed that some system of shared responsibility for maintenance should be worked out between the military and local government.

- From the above it is apparent that although U.S. negotiators have, for practical purposes, committed the U.S. to building such a park (if we get land needs). However, we still have a long way to go on getting it underway.

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Recommend: That further discussions on the Tanapag park be limited to what has already been said, downplaying the more expensive commitments until the joint Interior/DOD effort has progressed further, or until a decision is made to make the park a part of the Status package submitted to the U.S. Congress.

A1 Smith
COL
DOD Advisor

TAB A TO BE FURNISHED BY CAPTAIN WHELAN

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