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TALKING POINTS FOR PRESENTATION TO MPSC ON LAND
DETERMINATION OF FAIR MARKET VALUES

I. Introduction

- On assumption lump sum payment is what both sides desire, problem is to develop method for determining fair market value.

- Process not too difficult where there is active market for private real estate (Anticipate no real difficulty with this since current rates in different localities are matter of record and easily accessible).

- Assume it is mutually agreeable to throw out wide variants or patently rigged transactions and artificially inflated prices.

- Real difficulty comes when there is no active market or, as is case here, where large amounts of public or military retention lands are involved which have had almost by definition no easily ascertainable value in the market place.

- Professional appraisals in latter case are really not of great assistance since the appraiser has no more to go on than we do.

II. U.S. proposal

- U.S. proposes under these circumstances that we try to agree on single lump sum figure for all land involved in present requirements.

- This would not, however, be arbitrary figure, but would instead be based on agreed average price per acre or hectare for different categories of land in different locations.

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- We do not believe it would be useful to try to place a value on each piece of property on an acre by acre basis within military retention lands or public lands. This would become a fairly arbitrary and certainly lengthy proceeding in view of large amounts of land involved and lack of precedents.

- U.S. also believes value of military retention land to be returned should be taken into account in making calculations of fair market value.

III. Land Involved

- We are talking specifically about the following categories and amounts of land necessary to meet U.S. military requirements:

On Tinian:

578 acres of private agricultural/village land. (234 hectares):

None in village (Borders on it).

8,445 acres of public land (3,378 hectares)

8,452 acres of military retention land (3,381 hectares)

(Aside from MDC, 610 acres - 274 hectares - leased within public land)

On Saipan

Tanapag Harbor: military retention land (none under sublease).

Isely Field: military retention land (unused).

Farallon de Medinilla: all military retention land.

- Each of these types of land probably has a different value and different considerations must apply in assessing value of each.

IV. Considerations Regarding Value of Military Retention Land on Farallon de Medinilla

- Uninhabitable, unexploitable land area.

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- Accessable only by helicopter.
- Nothing comparable commercially.
- Guano deposits not commercially exploitable per U.S. study.
- Therefore market value per acre non-existent.

V. Considerations Regarding Value of Military Retention Land at Isely Field, Saipan

- Limited potential use due to proximity to airfield (noise factor),
- Can't be used for residential purposes.
- Possible for commercial warehousing or light industry - but no demand for this.
- Limited agricultural use due to presence of hundreds of hard stands, removal of which would be prohibitively expensive - might be used for grazing
- Current average rental paid for grazing land (public land) on Saipan is \$1.79 per hectare or \$.73 per acre per year. (Normal formula for determining price is to multiply annual rental by ten, but here clearly too low)
- Does MPSC have any other indicators of fair market value?
- U.S. proposes to return 3,747 acres of land at Isely (including airfield itself) which because of location and potential use are far more valuable than those to be retained. We need to fix value on this property plus rehabilitated runways.
- Also willing to lease back the nearly 500 acres to Government of Marianas at nominal sum and Government of Marianas could rent it for whatever market will bear, putting returns to use as it sees fit.
- Conclusion: Value of 500 acres U.S. wants to retain use rights for should take all the above into consideration, plus value of lands to be returned.

VI. Considerations Regarding Value of Military Retention Land at Tanapag Harbor, Saipan

- This is all good land for harbor related commercial and industrial activities.

- Rentals currently paid are one indicator of values (Mobil, Micro Construction, Dillingham rents range from \$2,100/acre for Mobile's 2.27 acres to \$1 per acre for the Micronesian U.D. Lodge with average industrial rental about \$230 per acre per year. Hotels - Continental and Inter Continental on public land start at \$210-263/acre and rise after 40 years to \$2,630-3,250/acre plus a percentage of gross receipts), but only one indicator.

- Remember, however, most of the area U.S. wants to retain use rights to is to be used for public good - a park - and it would not appear equitable to charge full commercial prices for this purpose (We don't try to put commercial value on Central Park in New York City) and U.S. plans to make a substantial investment in the park. Remainder of area outside park can be rented back to Government of Northern Marianas at nominal sum which it can sublease at going rates.

- U.S. moreover will be turning back large area in northern part of Tanapag which is the prime deep water area of the harbor. The value of this to Government of Marianas should offset by considerable amount the value of what federal government would be keeping.

- Conclusion: Full commercial rate for the area desired is by no means reasonable.

VII. Considerations Regarding Value of Private Homestead and Village Related Land on Tinian

- This one is easy to determine and only a small amount of land involved. - U.S. will pay the going commercial rate for fair market value.

- Need simply to look up last transactions (discarding any anomalous sales) and we will pay the average for comparable land.

VIII. Considerations Regarding Value of Public Land on Tinian.

- Same type of considerations apply as apply to agricultural land on Saipan which U.S. is returning.

- MDC paid during 1971 and 72 average of \$1,01 per hectare for the 3,035 hectares it leases on Tinian or less than \$.50 per acre.

- Average payment for small livestock leases on Tinian is \$2.35 per hectare or \$.95 per acre.

[- There may however be penalty clauses for breaking current leases which U.S. would be willing to pay where necessary.

- Much of the public land is unsuitable and unusable for economic purposes: rocky or rugged terrain.

- What value does MPSC put on public agricultural land on Saipan? On Tinian 1/3? These could have a bearing on price charged U.S. for public lands.

IX. Considerations Regarding Military Retention Land on Tinian.

- Probably worth less than area to be retained at Isely since less potentially useable for commercial purposes, and less than value of military retention land at Isely to be returned.

- MDC pays same amount per acre for military retention land it leases as it does for public land - all very low and inadequate indicator.

- U.S. would expect to settle directly with MDC for military retention land leased in accordance with terms of lease or deal through TT Government.

X. Summary

- Private land is easy to determine fair market value - take going value on the average.

- Must reach equitable meeting of the minds on fair market value of public lands and military retention lands, which constitute bulk of area requested.

- Public and military retention lands not susceptible to professional appraisal.

- Would like to hear MPSC views on foregoing before getting down to actual prices.