

June 5, 1974

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MEMORANDUM FOR ALL PARTNERS

Subject: Negotiations with the United States on behalf of  
the Marianas Political Status Commission

During the most recent session of negotiations the Mariana Islands (our client) for the first time agreed to make available to the United States for military purposes approximately 18,000 acres. This tentative commitment and the agreements already reached virtually ensure that a formal status agreement can be negotiated with the United States before the end of the year under which the Marianas will become a Commonwealth under the sovereignty of the United States.

Although our client has agreed to make this land available, there is no agreement yet as to the method of acquisition (lease or purchase) or the fair market value of the land. The latter is now among the most important issues remaining to be negotiated. I would appreciate advice from any knowledgeable partners as to how best to proceed in light of the following considerations.

The land in question is going to be very difficult to evaluate:

First, the land is widely varied in quality and potential use, ranging from land suited for agricultural and grazing purposes through other parcels appropriate for tourist hotel development. If this land were placed on the open market, the prices which sellers might pay would probably range between \$100 per acre and \$10,000 per acre.

Second, because of various governmental policies in force during the past decade or more, there has been very little development of the land. Much of it has been held by the United States and has not been available for sale to private parties. In addition, there have been various restrictions on foreign investment in the Marianas which has prevented economic development of the kind which has transformed Guam in the last six years.

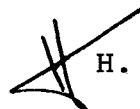
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Third, there have been very few private transactions involving the land in question or comparable land. As a result, traditional methods of appraisal based upon recorded transactions will be of limited value. There is a need instead for a more creative and analytical approach which will provide us with a sound basis for ascertaining the fair market value of the land which should be paid by the United States.

I would appreciate any help in the following areas:

1. Has anyone recently used real estate experts/ appraisers or land economists who might be hired as experts in connection with this assignment?
2. Has anyone ever been involved in a comparable proceeding in which a substantial amount of land was leased or sold to the United States.

Thank you for your help.

 H. P. Willens