

November 26, 1974

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MEMORANDUM FOR THE UNITED STATES DELEGATION

SUBJECT: Terms of Military Land Use Arrangement in the Northern Mariana Islands

The United States Delegation has requested that the Marianas Representatives on the Joint Land Committee prepare a "counter-offer" which describes a method of acquisition, method of payment, and amount of payment acceptable to the Marianas Representatives for the land to be made available to the United States for military purposes under the status agreement. This memorandum responds to the United States Delegation's request.

Attachment A to this memorandum is a statement of the fair market value of title to the approximately 18,000 acres to be made available to the United States. This statement was developed after an intensive study was carried out by the Commission's land appraisal consultant.

Attachment B to this memorandum is an explanation of the adjustments made to the fair market value figures in order to develop the dollar figures presented in this "counter-offer".

Method of Acquisition

The Marianas Representatives propose that the United States obtain a 50 year lease with one option to renew, unilaterally exercisable by the United States, for

a second 50 year period for all or part of the land covered by the lease.

Method of Payment

The Marianas Representatives propose that the United States make a lump sum payment for the first 50 years of the lease. If this payment is not made within five years of the approval of the status agreement, the United States would lose the land use rights granted to it thereunder. For each of the second through fifth years (or such earlier time as the lump sum payment is made) the United States will make a payment to the Northern Mariana Islands Government to reflect the limitations imposed on the use of this land because it may have to be made available to the United States.

If the United States exercises its option to renew the lease, the United States would pay an amount which is just compensation for the interests it then acquires. This sum will be determined by negotiations between the title holder and the United States, or, failing agreement, by the District Court for the Northern Mariana Islands in accordance with principles and procedures then applicable in eminent domain cases. Provision would be made to assure that the United States has continuous possession of the land until such just compensation is determined.

Amount of Payment

The Marianas Representatives propose that the payment for the first 50 years of the lease be \$32.9 million, stated in constant 1975 dollars. The payment for the rights obtained if the United States exercises its option will be determined as described in the preceding paragraph. The amount of the payment for the first 50 years is based on the fair market value of title to the land, see Attachment A, adjusted to reflect the facts that the United States will make a lump sum payment for a 50 year lease with an option to renew, and that the United States may have use rights in a portion of this land until termination of the Trusteeship Agreement, see Attachment B.

Marianas Representatives to the
Joint Land Committee

STATEMENT OF FAIR MARKET VALUE OF TITLE

	<u>Acres</u>	<u>Value Per</u> <u>Acre</u>		<u>Subtotal</u> <u>By Parcel</u>
<u>Tanapag Harbor</u>				
Residential				
Low Density	67	\$ 12,000	\$ 800,000	
Medium Density	60	15,000	900,000	
Hotel	20	100,000	2,000,000	
Marina	20	40,000	800,000	
Commercial	10	30,000	300,000	
Industrial	20	25,000	500,000	
TOTAL - TANAPAG HARBOR	<u>197</u>			\$ 5,300,000
<u>Isley Field</u>				
Primary	125	\$ 10,000	\$1,250,000	
Secondary	200	7,500	1,500,000	
Tertiary	157	5,000	785,000	
TOTAL - ISLEY FIELD	<u>482</u>			\$ 3,535,000
<u>Tinian</u>				
Industrial				
Harbor	50	\$100,000	\$5,000,000	
Airfield	250	10,000	2,500,000	
Primary	100	10,000	1,000,000	
Secondary	100	5,000	500,000	
Total Industrial	<u>500</u>		<u>\$9,000,000</u>	
Commercial				
Primary	200	\$ 10,000	\$2,000,000	
Secondary	200	5,000	1,000,000	
Total Commercial	<u>400</u>		<u>\$3,000,000</u>	
Resort	300	\$ 10,000	\$3,000,000	
Residential	1,500	\$ 2,000	\$3,000,000	
Agricultural				
Primary	2,500	\$ 800	\$2,000,000	
Secondary	7,275	600	4,365,000	
Tertiary	1,000	400	400,000	
Total Agricultural	<u>10,775</u>		<u>\$6,765,000</u>	
Other				
Construction Land	2,900	\$ 100	\$ 290,000	
Undeveloped Land	1,100	100	110,000	
Total Other	<u>4,000</u>		<u>\$ 400,000</u>	
TOTAL TINIAN	<u>17,475</u>			\$25,165,000
Farallon de Medinilla	<u>229</u>	\$ 100	\$ 22,900	\$ 22,900
				<u>\$34,022,900</u>

EXPLANATION OF COMPUTATION OF INITIAL
LUMP SUM PAYMENT

1. Calculation of Lump Sum Before Adjustment
Fair market value of fee: \$34 million (rounded)
Assumed rate of return: 8.3% (U.S. Government Bond Rate)
Yearly rental: \$2.8 million
Assumed discount (capitalization) rate: 8.3%
Present value of \$2.8 million/year for 50 years at assumed discount rate: \$33.18 million -- rounded to \$33 million.

2. Adjustment for Military Retention Land
Number Acres of Military Retention Land to be Made Available to U.S.: 9,071
Price Paid by U.S. (\$40/acre for use from 1944-1981): \$1.08/acre/year
Credit to United States for period 1975-1981: \$58,780 - rounded to \$60,000

3. Lump Sum After Adjustment: \$32.9 million (rounded)