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U.S. LAND PAYMENT
POT OF GOLD FOR THE MARIANAS

In answer to misleading allegations that U.S. land payments agreed to in the Commonwealth Covenant were miserly and should be renegotiated, several more balanced articles have been published which have pointed out the bias in such views as well as the true financial compensation covered in the agreement.

The detractors have argued that the \$19,520,600 lump sum payment for the land, when divided by the number of acres and further divided by the 100 year maximum term, equals to only \$10 per acre per year or a valuation of the land of \$100 per acre. (In the real estate industry determination of maximum lease payments is made by dividing the property value by ten years).

Other more objective analysts have already clearly shown the fallacy of the detractors arguments as far as the financial transaction is concerned. They have pointed out that the key advantage of the land agreement is the \$19.5 million lump-sum immediate payment whereby interest alone will net the Marianas more than \$107 per acre per year, nearly \$2,000,000 annually, or an average valuation for all acreage involved of more than \$1,070 per acre. Further, it might be argued that this lump sum could accumulate, in only 21 years of the 100 year period (if left

to compound) to a sum of \$160,000,000 and continue to double every seven years.

However, there is much more to the land compensation agreement than just a payment of \$19.5 million. Therefore it is necessary to highlight these other benefits to the people of the Northern Marianas in order to appreciate the full magnitude of the level of U.S. compensation. These are:

a. Payments already made forgiven - In 1951 the U.S. paid \$984,000 for indefinite use rights to 22,500 acres in the Mariana Islands. This so-called "retention land" has subsequently been reduced solely through the good will of the United States Defense Department to only 14,078 acres. Thus the U.S. has already paid more than \$70 per acre for indefinite use rights to much of the lands it now seeks. - Under the land compensation agreement the assessable value of these rights did not figure in the U.S. compensation computation. Thus this past compensation of nearly one million dollars, for lands that have been so far unused or already sub-let, is a net gain to the Northern Marianas. The Saipan Trust Fund in which these monies are kept will continue to be a valuable resource of the new government.

b. Release of the most valuable of retention lands - Under the new land agreement the United States has agreed to release more than 4,790 acres of the above (fully paid for) retention lands. These lands which encompass the new

Saipan International Airport as well as Tanapag Harbor are probably the most valuable lands in all Micronesia. In return the U.S. has agreed to reacquire most of its land needs in the less developed areas of Tinian. Only in the Tinian Harbor will it be necessary to acquire a few acres of relatively high-value land.

c. Public Use of Tanapag Park - Most of the land leased by the U.S. in the Tanapag Harbor area will be developed into an American Memorial Park to provide a recreational facility for the people of the Northern Marianas. Thus, the U.S. is paying \$2,000,000 for land that will be almost exclusively used for the benefit of Marianas residents.

d. Leasebacks available for most U.S. acreage - Most of the 17,799 acres to be leased on Tinian by the U.S. will be available to the people and the government of the Northern Marianas for leaseback at costs as low as \$1.00 per acre. This provision in effect permits the Marianas people to continue using much of the land in question, realizing the full benefit of income produced therefrom while still getting full fair payment for the land from the U.S.

e. Long-term Leasebacks - Approximately 6,500 acres of high-value lands on Tinian (6,458) and on Saipan Tanapag Harbor (44) will be leased back for extended periods of times to the Government of the Northern Marianas for \$1.00

per acre per year. These lands may be used by the Government of the Northern Marianas for a variety of purposes, even to the point of re-leasing the land. Thus, the agreement provides a means whereby the Government of the Northern Marianas can collect a second rental for these lands in addition to the full value lease payment received from the United States.

f. Civil Use of United States Constructed Facilities

- The agreement also provides for the joint use of ports and airfields constructed by the United States (as a cost of millions) at fee levels that cover only operational costs. Thus the Government of the Northern Mariana Islands will save millions of dollars in future CIP construction requirements. In addition, use by Marianas citizens of other United States facilities (when built) has been agreed to. Yet, none of the costly (to the United States) benefits show up in the price being paid for Marianas land.

In summary, with construction of military facilities years away this land agreement represents a true bonanza to the future Government of the Northern Mariana Islands. No attempt is made here to estimate the real per acre value of the settlement but the generous benefits of the following categories are apparent:

a. \$19.5 million dollars in immediate funds--more than \$1,000 per acre--which can be used as collateral for large loans for constructing new public facilities in the Marianas.

b. Perpetual annual interest income of nearly \$2 million or \$107 per acre per year.

c. A host of other benefits and use-rights (outlined above) that could easily double this \$107 assured annual income, while saving the Government of the Northern Mariana Islands millions in capital improvement expenditures.

d. A forgiveness by the United States of the rights already acquired in existing leases as well as the more than \$70 per acre already paid for these lands.