

DNR Aquatic Farm Leasing Program

*Aquatic Farm Leases for Commercial Shellfish or Sea Plant
Farms on the State-owned and Managed
Tide and/or Submerged Lands*

A PRESENTATION GIVEN AT THE
ALASKA SHELLFISH GROWERS
ANNUAL CONFERENCE

OCTOBER - 2011
KETCHIKAN, AK

Alaska Department of Natural Resources
Division of Mining, Land & Water
Aquatic Farm Leasing Unit



WHAT IS AN AQUATIC FARM LEASE?

An Aquatic Farm Lease is a limited exclusive interest or priority right to use State-owned tide and submerged land for the purpose of operating a commercial shellfish or sea plant farm.



OUR CONSTITUTIONAL AND DEPARTMENT **MANDATES**

Policy Statement for Natural Resources ~

Article VIII, Section 1 of the Alaska Constitution states:

“It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.”

Mission Statement for the Department ~

Develop, conserve, and maximize the use of Alaska’s natural resources consistent with the public interest



AUTHORITY FOR AQUATIC FARM LEASING

- Aquatic Farm Leases are governed by an individual set of Statutes and Regulations as provided under **AS 38.05.083 and 11 AAC 63.**
- Per **38.05.083.(b)** The Commissioner may offer to the public for lease at public auction under AS 38.05.075 or by negotiation under AS 38.05.070 a site for aquatic farming or related hatchery operations.





THE COMMERCIAL USE REQUIREMENT

11 AAC 63.030 (b). The development plan must result in commercial use of the site beginning no later than the fifth year of the lease operations and continuing for the rest of the least term. Commercial use of the site means annual sale of aquatic farm products, as that term is defined in AS 16.40.199, of at least \$3000 per acre or fraction of an acre, or \$15,000 per farm, whichever is less.

ONE SIZE DOES NOT FIT ALL

The commercial use requirement works for the species it was originally intended for; oysters and mussels.

Once the Department receives scientific data by farmers, on the growth rates of other species, such as geoduck clams, DNR will consider a regulation change for that species.



Aquatic Farm Leases and Fees

Sec. 38.05.075. Leasing procedures. The lease compensation method shall be designed to maximize the return on the lease to the state and shall be a form of compensation set out in AS 38.05.073(m).

Sec. 38.05.073(m). The compensation to be paid to the state for a lease issued under this section may include, in the discretion of the commissioner,

- 1) a percentage of the annual gross receipts as reported to the United States Internal Revenue Service;
- 2) a guaranteed annual minimum rent or a percentage of gross receipts, whichever is greater;
- 3) the fair market rental value;

(AS 38.05.073(m) – continued)

- 4) a fixed annual rent that is not less than the fair market rental value of the land;
- 5) a fee for each user;
- 6) other compensation acceptable to the commissioner, or
- 7) a combination of the above.



AQUATIC FARM FEES

Sec. 38.05.083(c). Aquatic Farming and hatchery site leases. A site may be leased under this section for not less than the appraised fair market value of the lease. The value of the lease shall be reappraised every five years.

How are aquatic farm lease fees calculated?

Aquatic Farm lease fees are based on periodic review of submerged land lease rates, tideland/submerged land value ratios (as a percentage of adjacent uplands), and tidewater sales. When the market indicates that the value of waterfront property is increasing, the fees in the schedule change accordingly. Every two years the appraisal unit comes out with a current fee report.

Aquatic Farmsites – Report No. 2522-10

This schedule will be used as basis for annual rent in leasing tide, submerged, and shore land suitable for aquatic farmsites under AS 38.05.083.

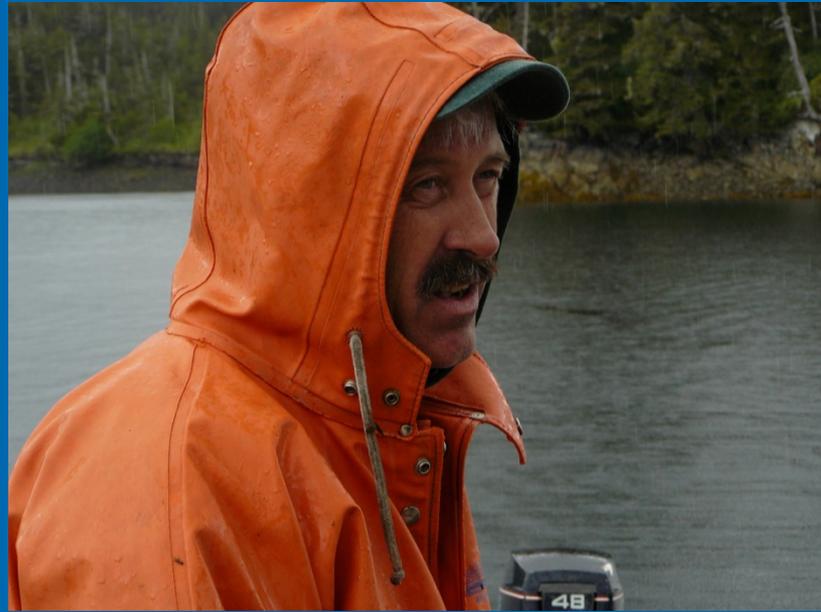
The annual lease fees for aquatic farmsites are:

Tide and/or submerged land for an aquatic farm site:

- \$450 per acre for the first acre or portion thereof, and
- \$125 per acre for each additional acre or portion thereof;

Associated housing facilities for the aquatic farm site:

- \$875 for the first acre of tide or submerged land or portion thereof, and
- \$125 per acre for each additional acre or portion thereof;



“Can I figure out what my annual DNR fee will be before I apply for a lease?”

YES. IT ALL
DEPENDS ON THE
SIZE OF YOUR
FARM...



AND THE
FACILITIES YOU
BUILD.

NO CARE-TAKER FACILITY, IN A BOND CO-OP

(Based on a 2-acre site)

Non-Refundable Application Fee:	\$	100
Public Notice (In 2011 for 16 apps the total cost per person was \$89.00)	\$	200 +/-
Security Bond (Reduces Bond by-\$1,250)	\$	1,250
Annual Lease Fee (No Facility)	\$	450
Plus \$125 for the second acre +	<u>\$</u>	<u>125</u>
Total 1st year cost:	<u>\$</u>	<u>2,125.00</u>

* Add \$1200 if not in a bond co-op

WITH CARE-TAKER FACILITY, IN A BOND CO-OP

(Based on a 2-acre site)

Non-Refundable Application Fee:	\$ 100
Public Notice (May be more or less)	\$ 200 +/-
Security Bond (Reduces Bond by \$1250)	\$ 1,250
Annual Lease Fee (1 ST ACRE W/FACILITY)	\$ 875
Plus \$125 for the second acre	<u>+\$ 125</u>
Total 1st year cost:	<u>\$ 2,550.00</u>

* Add \$1200 if not in a bond co-op



“What are the total DNR fees through year five? What are we talking about?”

The Total Fees Through Year 5

2-Acre Site, No Care-Taker Facilities,
In a Bond Co-op

➤ Year 1 Start-up Cost (-\$1250)	\$ 2,125
➤ Annual Lease Fee Year 2	\$ 575
➤ Annual Lease Fee Year 3	\$ 575
➤ Annual Lease Fee Year 4	\$ 575
➤ Annual Lease Fee Year 5	<u>\$ 575</u>

Total Cost through Year 5 = \$ 4,425

* Add \$1250 if not in co-op

The Total Fees Through Year 5

2-Acre Site, Care-Taker Facilities,
In a Bond Co-op

➤ Year 1 Start-up Cost	\$ 2,550
➤ Annual Lease Fee Year 2	\$ 1,000
➤ Annual Lease Fee Year 3	\$ 1,000
➤ Annual Lease Fee Year 4	\$ 1,000
➤ Annual Lease Fee Year 5	<u>\$ 1,000</u>

Total Cost through Year 5 = \$ 6,550

* Add \$1250 if not in a co-op



“IS THERE A WAY TO FURTHER
BREAK-DOWN THE FEES?”

5-YEAR FEES PER MONTH

2-Acre Farm, No Care-Taker Facility, in a Bond Co-op

Total Cost through Year 5 = \$ 4,425

Divided by 60 months = \$ 74.00/Month

HOWEVER, if you subtract the bond, which the farmer will get back with interest, the cost changes.

	\$ 4,425
Subtract the Bond Amount	- <u>\$ 1,250</u>
	\$ 3,175

Divided by 60 months = \$ 53.00/Month

5-YEAR FEES PER MONTH

2-Acre Farm, Care-Taker Facility, in a Bond Co-op

Total Cost through Year 5 = \$ 6,550

Divided by 60 months = \$ 110.00/Month

HOWEVER, if you subtract the bond, which the farmer will get back with interest, the cost changes.

	\$ 6,550
Subtract the Bond Amount	- <u>\$ 1,250</u>
	\$ 5,300

Divided by 60 months = \$ 89.00/Month



“How do I keep the lease in good standing?”

1. **Complete and return the Annual Report Form to ADFG.**
2. **Pay your Annual Lease Fees On Time.**
3. **Reach your commercial-use requirement by the end of Year 5** (\$3,000 per acre, or fraction of and acre or \$15,000 per farm, whichever is less).

CURRENT PROGRAM STATUS

- * DNR administers **66** State-wide, active, aquatic farm leases.
- * In the 2011 Application Opening DNR received **9** new farm applications and **6** existing farm amendments.
- * During the 2011 public comment period, **DNR** received **5** public comments: **2** letters of support and **3** letters of objection.



A scenic landscape featuring snow-capped mountains in the background, a dense forest of evergreen trees in the middle ground, and a calm body of water in the foreground. The sky is overcast with grey clouds. The text "THE END" is overlaid in a large, bold, yellow font across the center of the image.

THE END