



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF MINING, LAND & WATER
Land Sales & Contract Administration Section

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September 21, 2015

Re: IOTC Offering

TO WHOM IT MAY CONCERN:

We have heard multiple concerns regarding the Division of Mining, Land and Water's (DMLW) recent land offering. Allow me to explain the department's auction and OTC land sale process to address those concerns.

State Land Sale parcels are first made available through DMLW's Sealed-bid Auction, which is restricted to Alaska residents only. The time period during which bids could be submitted for the Sealed-bid Auction began at 10 am on March 25, 2015 and ended at 5 pm on July 8, 2015. The Auction was held on July 15, 2015. Bidders can win a maximum of 2 parcels in the auction.

Parcels that do not sell in the sealed-bid auction are made available over-the-counter to the public at large with no Alaska residence preference. These parcels are offered first through the IOTC offering, and then a general OTC offering at their appraised fair market value. Information on the procedures for IOTC can be found on page 132 of the brochure. The brochure clearly states that you may submit applications for as many parcels as you like and you may win the opportunity to purchase more than one parcel. It is in fact possible to win as many of the parcels as you apply for. The IOTC application period began at 10 am on July 29, 2015 and ended at 5 pm on September 9, 2015. The drawings were held on September 16, 2015.

Let me explain further how the IOTC drawings work. After the application period has ended, DMLW determines which parcels received OTC purchase applications. For parcels that received only one application, the single applicant was declared the winner. For each parcel that received multiple applications a random drawing is held to determine which of the applicants is to be awarded the parcel. The drawing is accomplished by each applicant for that parcel being assigned a number, and ping pong balls corresponding to those assigned numbers are placed in a hopper. After the hopper is agitated, a numbered ping pong ball is drawn at random. Depending on the number of applications received, 1 or 2 alternates were also drawn at random. The drawing was open to the public and was held in the Public Information Center in Anchorage. Members of the public were in attendance at this year's drawings.

Individuals have expressed concern about the number of parcels won by Mr. Joe Carrillo. Of the 85 applications Mr. Carrillo submitted, 42 were for parcels that no one else applied for. Since Mr. Carrillo was the only applicant for these 42 parcels, he was awarded these parcels by default. For another 25 parcels Mr. Carrillo applied for, he was one of only two applicants. He was randomly drawn for, and awarded, 13 of those 25 parcels. This is roughly half of these parcels, a statistically valid result. The other 12 of those 25 parcels were awarded to someone other than Mr. Carrillo. For 18 remaining parcels he applied for, Mr. Carrillo was one of multiple applicants for the parcel. He was drawn for and awarded 5 of those 18 parcels, only slightly less than 28% of the parcels he applied for. Overall, Mr. Carrillo was awarded 42 parcels by default and 18 parcels in the drawings, for a total of 60 out of the 85 for which he applied.

Again, as addressed in the 2015 land disposal brochure, there is no limit on the number of parcels a single individual may be drawn for or awarded under the published rules of the OTC offerings. The results of

this particular IOTC offering are a statistically valid result based on the large number of applications filed by Mr. Carrillo compared to the limited number of other applicants for these parcels. I can remind you that these are preliminary results and Mr. Carrillo may not elect to complete the purchase of all of the parcels awarded to him. Any parcels declined by Mr. Carrillo will be awarded to the first alternate drawn in the drawing for that parcel.

Based on the concerns you and other members of the public have expressed, DMLW will review its OTC land sale process and policies to consider whether revisions are necessary to ensure fairness or the appearance of impropriety in the future.

I hope this addresses concerns and sufficiently explains the outcome of the division's IOTC process.

Respectfully,

Lauren Rouen
Sales & Marketing