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KEYES POINT PITCHED HARD KIJIK CORP. PUTS ITS HOPES ON RECREATION DEVELOPMENT

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Television, newspaper and radio ads tell of unsurpassed hunting and unbelievable fishing, of moose, salmon and trophysized trout in a place where one can abandon all worldly cares. "Picture yourself happy," one promotional brochure purrs. "Picture yourself at Keyes Point." Behind this public relations blitzkrieg is a highstakes effort to boost sales for one of the most ambitious land development projects in the state: the Kijik Corp.'s Keyes Point development inside Lake Clark National Preserve.

For Kijik, the Native corporation representing 256 Athabascan shareholders from Nondalton village, sales now are a key to corporate survival.

Kijik has spent more than $2 million to turn this piece of lakefront property into a worldclass retreat for sportsman and outdoor enthusiasts. In the face of a slumping state economy, it's committed to spend millions more dollars to complete the development.

The sales provide the cash to pay off debts and allow the corporation borrow new money.

Kijik's leaders believe the project eventually will earn big money for its cashpoor, landrich shareholders. But the venture also points to the risks Native corporations can face in plunging into expensive recreational land development.

"We have to perform," said Dennis Trefon, president of Kijik Corp. "We're depending on a depressed market. But We're making the best of it of anyone in the state,"

Everyone who pays federal taxes also has a stake in Keyes Point's success.

The federal government through the Bureau of Indian Affairs has guaranteed $2.8 million in loans to Kijik, and agreed to guarantee $4 million more. If Kijik should be unable to repay its loans, the federal government will pick up the tab.

Ed Halverson, a BIA loan official, said his agency could try to recoup its losses by taking over mortgage payments from Keyes Point landowners and foreclosing on some of the Kijik land at Keyes Point. But he doesn't think that will be necessary.

Last year, Kijik found no lack of buyers for Keyes Point properties. Dozens of welltodo Anchorage residents bought Kijik tracts in sizes from 21 2 to 5 acres. Hickel Investment Co. of Anchorage snatched up several large tracts of land for possible commercial development and its president, Robert Hickel, publicly endorsed the project.

By the end of last year, more than 100 lots had been sold. This year, sales are tougher to come by.

As of last week, the company had closed fewer than 30 sales, Trefon said, but Kijik's sales team hopes to find more sales from among 189 inquiries prompted by the media campaign.

Kijik also hopes to sell a public easement across its Lake Clark lands to the National Park service for $1.5 million. But its unclear whether that sale, which has been three years in negotiations, will come through.

Kijik may have to offer refunds to as many as 37 buyers who bought lots before they were properly registered with the federal government.

Kijik first launched Keyes Point sales in the spring of 1984. From the beginning, it was planned as a stylish, lowdensity development that would respect its wilderness surroundings. The subdivision tracts ring the perimeter of sixmilelong peninsula that juts into Lake Clark. Many lots face south toward a spectacular view of snowcapped mountains.

Kijik hoped the project would benefit the economically depressed village of Nondalton with jobs and new utilities.

Eventually, the corporation hopes to sell nearly 500 lots, according to Kneely Taylor, Kijik's attorney. Those lots would represent less than 5 percent of the 115,200 acres selected by Kijik after passage of the Alaska Native Claims Settlement Act in 1971.

One of the first Anchorage businessmen to make a personal investment in Keyes Point became one of its staunchest financial backers. In March 1984, Robert Gillam, chairman of the board of Anchoragebased Home Savings and Loan Association, paid more than $200,000 for six lots, according to state and Kijik Corp. records.

Gillam had hunted and fished the Lake Clark wilderness for years and thought the Keyes Point lots were a great investment. He said he also was impressed with the management team headed up by Don Anderson, Kijik's executive director, and the profit potential of the development.

In July 1985, Gillam's bank, which shared an office building with Kijik, began making a series of shortterm loans to Kijik. The loans were collateralized by Keyes Point land. At the time, with the Alaska economy basking in the warmth of oil prosperity, the bank's backing of Keyes Point looked like a good move.

The Keyes Point properties sold quickly. Perhaps too quickly. Toward the end of a heavy summerfall promotional campaign, Kijik began running short of residential tracts approved for sale by the Department of Housing and Urban Development. HUD is responsible for enforcing a federal consumerprotection law requiring the review of all land sales promoted in more than one state. Developers must register all residential sale tracts with HUD. They also are required to get HUD approval of a disclosure document that informs potential buyers about project liabilities.

To comply with federal law, Kijik drew up detailed disclosure documents that covered 14 blocks of subdivided lakefront land. But when demand exceeded the number of registered lots, the corporation put 37 unregistered residential lots on the market.

"There were so many inquiries that the real estate agent got the go ahead to sell them even though they weren't listed," Trefon said.

Trefon said Kijik viewed the sale of unregistered properties as a minor technical violation of the law, since buyers still received a copy of a 43page Keyes Point disclosure report.

HUD officials appeared to view the the violation as minor. In June, they agreed to accept Kijik's proposal to correct the problem by properly registering the lots and offering refunds to buyers of the 37 lots.

Letters offering a refund offer were supposed to be sent to buyers within 15 days after Kijik officials signed a settlement document, according to a letter from HUD to Kijik.

Kijik registered the lots, but the refund letters were never mailed.

HUD enforcement officials didn't realize the letters hadn't been sent until October. After an inquiry from a reporter, they checked their files and realized Kijik's signed copy of the settlement agreement had never been returned.

Some buyers of unregistered lots say they aren't interested in a refund. "I think it's a good investment, a onceinalifetime thing . . . it's fantastic property," said Charles Edelen, an Anchorage customs broker.

Others want their money back.

Ken Lythgoe, an Anchorage contractor who purchased two of the unregistered lots, said he heard rumors of a possible refund and called Kijik to see if that could be arranged.

"I asked them if they were going to give my money back. They said, no, they don't intend to," Lythgoe recalled.

Trefon, in an Oct. 20 letter to HUD, called the sale of unregistered lots a harmless error easily discovered by purchasers.

Kneely Taylor, Kijik's attorney, said he doesn't think buyers of unregistered lots have an automatic right to a refund.

Lynn Herbert, a HUD enforcement official, said his agency has reopened the Kijik case. "We will either make them the same settlement offer or try to accommodate (Kijik) in some other way," Herbert said.

The flurry of Keyes Point sales in the second half of 1985 produced a sixmonth profit of $810,388, which was trumpeted in a flurry of Kijik press releases. That represented quite a turnaround from the $1.7 million loss the company had posted the previous year.

But also in late 1985, there were large new debts incurred as Kijik borrowed more money from Home Savings and Loan.

Kijik's sales agreements with Keyes Point buyers had promised a road, airstrip, aircraft parking area, lines for electricity, telephone, cable television and security service.

Such improvements in a wilderness cost a lot of money.

The corporate payroll has also been expensive. In fiscal year 1985, Kijik paid $369,000 to employees and consultants.

By early 1986, the debt to Home Savings collateralized by unsold Keyes Point lands and promissory notes had reached $3.6 million, according to a loan proposal Kijik submitted to the Bureau of Indian Affairs.

Most of Kijik's debt was in short loans that were difficult to keep current while Kijik plunged ahead with Keyes Point development.

"Our problem was that we were doing a longterm project on shortterm money," Trefon said. "We had to change the structure of the loan."

Enter the BIA, with a federal loan guarantee program that both the bank and Kijik agreed could ease the corporation's financial bind. Federal guarantees would ensure that the bank would get most of its money repaid regardless of Kijik's financial stability. If Keyes Point flopped, the BIA would pick up the loan payments.

Trefon said Kijik hoped to get the loan guarantees by late spring in time to finance construction at Keyes Point. But the BIA, Federal Homes Savings and Kijik dickered until midsummer before they finally agreed on the terms of the $6.8 million in loan guarantees, Trefon said.

Halverson, of the BIA, said the loan guarantees apply to $2.8 million of the $3.6 million Federal Home Savings has already loaned to Kijik.

The loan guarantees also cover an additional $4 million that Kijik may borrow later from Federal Home Savings or other banks, Halverson said. The additional loan guarantees will be pegged to new lot sales, which provide more collateral for the guarantees.

Halverson said he thinks the Keyes Point development is well worth backing. "It'll stand scrutiny. That's one of the better (loan guarantees) we have. . . . I was thinking of going up there myself and investing."

Trefon said the loan guarantees have allowed Kijik to refinance its shortterm debts. He believes Kijik should be able to make enough sales to allow them to borrow the additional cash needed to continue development. A depressed Alaska economy has slowed sales, Trefon speaks hopefully of recent efforts to expand the sales campaign through national advertising in The Wall Street Journal.

Meanwhile, the delays in getting new loans have caused construction to fall behind schedule. Installation of electrical lines, for example, was supposed to begin in May 1985. It finally started last month.

Jerry Winchester, Kijik's project supervisor, said he thinks all utilities will be in place by the end of the year, in time to meet deadlines promised property owners.

The financing delays, along with lagging sales, also will mean more losses for Kijik, Trefon said. By next spring, however, the company should be breaking even, he said.

The prospect of more losses has prompted some Nondalton shareholders to fear that the corporation is in over its head. "Keyes Point really hasn't made any money compared to what we owe the bank," said one board member who insisted on anonymity.

But Trefon remains optimistic about the future. If enough lots can be sold, he said, the debts will get paid.