

Trust

Alaska Mental Health
Trust Authority

Resource Management Committee
Quarterly Meeting
January 3, 2019

Meeting Agenda



Meeting: Resource Management Committee
Date: January 3rd 2019
Time: 10:15AM – 11:00AM
Location: Trust Authority Building
3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Meeting Number: 287 291 220 # / Attendee Number: #
[Alaska Mental Health Trust Authority WebEx Meeting Center](#)
Trustees: Carlton Smith (Chair), Verné Boener, Chris Cooke, Laraine Derr, Paula Easley, Mary Jane Michael, Jerome Selby

Thursday, January 3rd, 2019

1. Call to Order (Carlton Smith, Chair)
 - Announcements
 - Approval of Agenda
 - Ethics Disclosure
 - Approval of Minutes
 - 2018-10-17
2. Executive Director Report
3. Entitlement/Replacement Lands Presentation
4. Adjourn

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

October 17, 2018
2:40 p.m.

Taken at:
Alaska Mental Health Authority
3745 Community Park Loop, Suite 120
Anchorage, Alaska 99508

OFFICIAL MINUTES

Trustees present:
Carlton Smith, Chair
Jerome Selby
Mary Jane Michael
Chris Cooke
Laraine Derr
Paula Easley
Verne' Boerner

Trust staff present:
Mike Abbott
Steve Williams
Miri Smith-Coolidge
Kelda Barstad
Andy Stemp
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Eric Boyer
Travis Welch
Autumn Vea
Sean O'Quinn

Trust Land Office present:
Wyn Menefee
Jusdi Doucet
Sarah Morrison
David Griffin
Aaron O'Quinn
Karsten Eden

PROCEEDINGS

CHAIR SMITH calls the Resource Committee into session and asks for any announcements. There being none, he moves to the agenda.

TRUSTEE SELBY makes a motion to approve the agenda.

TRUSTEE MICHAEL seconds

There being no objection, the motion is approved.

CHAIR SMITH asks for any ethics disclosures. There being none, he moves to the minutes of August 1, 2018.

TRUSTEE DERR makes a motion to approve the minutes of August 1, 2018.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR SMITH moves to the Executive Director Report, asking Mr. Menefee to begin.

EXECUTIVE DIRECTOR REPORT

MR. MENEFEE starts with the U.S. Forest Service appraisal, stating that they are waiting to get a response back to the challenge regarding the exchange for Phase 1. An appraisal was done and the TLO had problems with those results. There is a meeting with the Forest Service and the appraiser on November 5th for the result of that challenge. If that meeting produces an appraisal that is reasonable, then it can move forward and we potentially can bring that for approval for the land exchange by the November meeting. He continues that the comments to the Alaska-specific Tongass Roadless Rule were just submitted. He explains that there is an EIS being undertaken about the roadless rule which does affect the Trust in the sense that it will help timber sales and certain access points. He adds that it is a very long process to go through. He continues that in late November they will be going to Cordova and Yakutat to do an update on Icy Cape. He gives a short briefing on the lumber and then moves to the timber sale at Kasaan. It is on the books and Alcan has started harvesting.

MS. DOUCET reports on the AOGCC public hearing on the Norman Dancer No. 1 Well. The Commission acknowledged that there are no safety concerns with that well at this time. She states that they wanted to know how long the advertising on this well for an oil and gas lease tract will continue. An answer to that could not be provided, and they will consider the comments and get back on that. She continues that the competitive line sale is ongoing and will close November 5th. She adds that there are 47 parcels advertised in each region of the state. She states that the TLO had the pleasure of hosting a TLO orientation for Trustee Boerner last week, and extends an open invitation for any other trustees that may want an update or refresher on the TLO asset classes. She then introduces Sean O'Quinn, the new analyst with about 15 years of experience in GIS.

MR. MENEFEЕ states that the Urban Lands Institute panel has been completed and had excellent, highly experienced panelists. He continues that there were three days of intensive work to come up with some recommendations, and we received input from many in the community. Key parties were interviewed, and we will be providing a report sometime in late November. He adds that it was an interesting challenge because the remote Alaska market does not behave the same way as the Lower 48, and a lot of the panel were from Seattle and Portland. He moves to Fairbanks and the Birchwood Department of Defense exchange stating that the buildings at Birchwood were toured and are in really good shape. He continues that there have been a lot of conversations, and we are waiting to receive a counteroffer. He adds that it is trying to get to the point of agreeing on the global terms of the lease if this land got transferred to the Trust. That is the key point in moving forward. He did find out that the Wainwright garrison commander wants the Birchwood homes scraped off, and to use the site as military storage. This adds interesting dynamics in talking about a federal bill that might need to be passed and whether someone like Senator Sullivan will be supportive if the garrison commander is against it. It depends on the Alaskan command discussion. Representatives from Fischer Properties have been in discussions with Senator Sullivan's office, Murkowski's office, and the Governor's office. They are all very aware of the situation.

REMP

MR. MENEFEЕ gives an update on the REMP properties, the commercial investment properties. There are seven properties; two in Anchorage. The Commercial Drive property has appreciated \$442,000, and there is still some loan balance on it. It is a very good investment, is 100 percent occupied, and paying rent continues. He moves to the Cordova Street property, where there was a depreciation in the value. Part of that is attributed to the fact that it is not 100 percent filled. He continues that there is work trying to get the State with a government-to-government lease. He moves to the property in Washington, which is mostly full. It has an appreciation value and is generally a good building.

TRUSTEE DERR asks if there are extenuating circumstances for the low distribution of \$56,000. It just seems pretty low.

MR. MENEFEЕ replies that on all the buildings the distribution also includes the maintenance complications, which brings down the amount.

TRUSTEE MICHAEL stated that those buildings were financed as a way to free up additional revenue to purchase other buildings. She wonders if that needs to be rethought as to whether or not to pay them off or just keep getting revenue from them, if continuing investing in additional large-scale real estate will not be done. She added that not much profit is showing.

MR. MENEFEЕ states that there have been internal discussions on that, but we are not at the point to be bring that before the Board. He moves to the IRS building in Utah and states that lease has been renewed for ten years and is worth about \$21 million in revenue. That is important because that also sent the value of the building up. He adds that getting a ten-year lease from the Government is very stable. That building is also 100 percent occupied. He continues that Promontory Point is one of the Texas properties, and is the most in the way of

needed repairs. Loan inspectors have pointed out a few things to fix, and we will be working on them. It is 100 percent occupied, but the tenant, Tango Properties, is looking to get out. He moves to North Park and states that there are a few buildings with a slight depreciation, but it was not that much. There is one area that has some demolition and reconfiguring going on. Marriott has their reservation center there, and it is an interesting dynamic in how the place is run.

CHAIR SMITH asks for some brief comments on the strength of the markets of Austin and San Antonio.

MR. MENEFEE replies that Austin is a hopping place for an IT, but it has the risk of boom and bust. It also has the risk of any individual lease needing to suddenly expand by 20-fold and then suddenly shrink. He adds that Apple is down there. He states that San Antonio is starting to see more of the IT-centric type of market. It is a fast-growing area but does not have as much change of tenants there. He continues that in Austin there is Amber Oaks which is an impressive building. It has a good appreciation, which just went up \$4 million. It is 87 percent occupied, and we expect that it will be filled. He adds that amenities oftentimes sell a building, like exercise rooms, covered parking, a rowing lagoon in the back. The work culture really cares about the amenities and keeping people happy. He summarizes that there is an estimated market value of \$97.8 million. There is debt that is being paid, and we could adjust the debt repayment.

TRUSTEE DERR asks how the cash-on-cash return is calculated.

MS. MORRISON replies that the cash-on-cash return is the amount of cash derived from operations of the building relative to the amount of principal contributed to the building. She explains the process in greater detail.

MR. MENEFEE states that he will provide, in an e-mail, the calculation and how it came about.

TRUSTEE COOKE states that this amount of equity was not reflected in the audit presentation earlier.

MR. STEMPE explained that in last year's audit the auditors were asked to provide a clarifying footnote. The footnotes were not presented today and what was shown were the gross totals. That question will be addressed when the final report is issued.

CONSULTATIONS

MR. MENEFEE moves to consultations and begins with the Mountain Point Waterfront negotiated sale.

TRUSTEE SELBY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concurs with the Trust Land Office recommendation for the executive director to dispose of Trust parcel CRM-3392-02 through a negotiated sale or subsequent disposal.

TRUSTEE DERR seconds.

MR. MENEFEE asks Mr. Griffin to give an overview.

MR. GRIFFIN states that this is the southernmost piece of property in the state in the Mountain Point area in Ketchikan. This parcel is zoned public and institution, and we decided that this could generate some revenue, and have it rezoned. He continues that the application was filled out and submitted to the Assembly to have it rezoned to low-density residential. This is next to the Mountain Point Boat Harbor, and it has a lot of wildlife activity, and has also been used as a park. Next door is a parking lot, which the Trust owns. The Borough offered \$500,000, and that is what this consult is about. He adds that the Borough owns the harbor next to it, but the Trust owns the parking lot. He states that they are working with the City to look at an exchange where they have 39-surplus parcels to trade for this parking lot.

TRUSTEE SELBY states support for doing this. Working with local governments on both of these projects will lead to positive PR that will serve the Trust now and in the future. He adds that this is a good project.

MR. MENEFEE states that there is a possibility of an Assembly change coming which could mean this offer will not stay on the table. Also, if the planning process continues, the Borough will be involved and that can also be a challenge. He summarized that they are not ready to make any decision on exchange parcels, but are evaluating them.

CHAIR SMITH calls the motion, and asks for any objections.

There being no objection, the motion is approved.

TRUSTEE SELBY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concurs with the Trust Land Office recommendation for the executive director to close the following Trust parcels to public use: CRM-00001, CRM-0002 CRM-0003, CRM-00004, CRM-0005, CRM-0006, CRM-007-A, CRM-0008 AND CRM-0009.

TRUSTEE DERR seconds.

MR. GRIFFIN states that this is an update to the Icy Bay closure that reflects the current conditions.

MR. MENEFEE adds that the public had been notified about this for years. It is on the Website. He states that another thing that happens is that the Troopers patrol out there and have caught people illegally hunting on Trust land. They want a very clean closure because in court it is important that there are no holes.

CHAIR SMITH asks for any objections.

There being no objection, the motion is approved.

TRUSTEE EASLEY asks about the Forest Service land exchange and if there is a go-ahead between meetings if there could be a special meeting for the process.

MR. MENEFEЕ replies that even special meetings need to be noticed and it can be done as a teleconference. He will see what is presented on November 5th, and if all are in agreement, it can move forward by the November 15th meeting.

CHAIR SMITH moved to the TLO update.

TLO UPDATE

MR. MENEFEЕ begins with some mining updates, starting with some concepts of what is going on with the Palmer project. He shares some of the pictures from that area pointing out the operation. He reminds all that the lands in the Haines area is about 100,000 acres; about 10 percent of the Trust land holdings. He explains that the way it works with the Trust land is that the land is selected and gets that land from both the Federal Government and through DNR. If BLM gets rid of the claims, then the land automatically comes to the Trust. He states that Palmer, now Aleut Mining, leased to Constantine to explore those claims. Constantine is actively exploring this area to figure out if a mine can come out of there. He clarifies that on those claims, BLM does not obtain any royalty rights; just a lease fee. When Palmer leased to Constantine, they required 2.5 of the net smelter royalty, which was part of the deal. He explains that smelter royalty is the total ore that is processed, whether it is in Japan or elsewhere. It is the refined amount times the commodity price at the time, minus taxes, smelter and transportation costs, but not minus the mine extraction cost. It does not take into account how much it takes to get it out of the ground. The real important part of that is that the foundation of this 2.5 percent net smelter royalty, which will come into play in further discussion. He states that Constantine is looking to get this ownership transferred to the Trust, which will have to be discussed in Executive Session. He continues his description. The only thing that can be made off that land is a lease payment. The current status does not look good for making a lot of money off of it as long as the Federal claims stay in place. He moves on to Icy Cape.

DR. EDEN begins an update on the Icy Cape project, which is a heavy minerals project that started in 2015. It is about 50,000 acres, and half of the area is covered by loose sediments. He states that the delta area is divided into two parts: There is the area that is glacially influenced from Icy Cape, the glacial area, the fluvial area where the river has an influence, and the coastal plain terra systems. The samples taken in 2015, the industrial minerals, resulted in garnet epidote, rutile and zircon, which do comprise the majority of the heavy minerals. Based on the initial results to the heavy metal industry, some very positive feedback was received, which encouraged going to the second phase. He states that the second phase was collecting more samples to create some heavy mineral concentrates that were sent out for industrial testing. That collection of samples had gold and heavy minerals. The projection of importation of the magnetic survey shows a pattern consistent with the geologic and deposit models for the property. Based on the airborne magnetics, the geology and mineralogy exploration concepts were developed. He continues that Phase I and Phase II results were very encouraging and positive. On October 26, 2016, there was the RMC consultation for Phase III where \$2 million was requested and approved on November 7, 2016. That was for stratigraphic framework drilling and resource assessment drilling. He adds an entire camp was set up, which was a huge

logistical effort, and drilling started. The results of Phase III was that an 8-inch diameter sonic core was drilled over 7,000 feet in the eastern portion of the land block. It was a huge success. He continues that they drilled down and discovered underneath the upper package was a different kind of sand, very fine-grained that also contained gold and heavy minerals. That was a huge discovery, and now there are two resource candidates: upper core sands with the beach sands; and the other sands underneath it. More money was asked for to continue drilling because of the success in 2017. He adds that, with approval from Fish & Game, temporary bridges were built over stream crossings. There were about 24 people in camp, which operated for about two months. The results from this year was building a new sample-processing facility which included a drill core archive in support of targeted drilling.

CHAIR SMITH asks for any questions. There being none, he asks for a motion.

TRUSTEE DERR makes a motion, per AS 4462310(b) and AS 4462310(c), that the Resource Management Committee move into executive session to discuss confidential matters regarding mineral exploration data results and Icy Cape finances and perpetual negotiations regarding the potential acquisitions of federal and mineral estates, selection that is currently encumbered by federal mining claim. No decisions will be made in Executive Session.

TRUSTEE SELBY seconds.

(Executive Session from 4:05 p.m. until 5:37 p.m.)

TRUSTEE SELBY states on the record that we are out of Executive Session; that the Board has had to discuss the TLO mining updates, which were provided, which is proprietary information subject to Executive Session; and that no decisions were made.

CHAIR SMITH asks for a motion to adjourn.

TRUSTEE SELBY makes a motion to adjourn the Resource Management Committee meeting.

TRUSTEE BOERNER seconds.

(Resource Management Committee meeting adjourned at 5:38 p.m.)