



# Trust Land Office Annual Report FY 2013

*Protecting and enhancing the value of Alaska Mental Health Trust Lands while  
maximizing revenues from those lands over time*

Coast Guard Beach – Ketchikan, Alaska

# TRUST LAND OFFICE FY2013

## Resource Highlights (July 1, 2012 – June 30, 2013)

### Lands

#### SALES

The Annual Competitive Land Sale generated revenues of \$1.1 million. Total bid values across all parcels were 35.3% over the minimum price.

The Winter Competitive Land Sale generated \$450,000 in contract revenues. It is the third highest in the history of the winter sale.

A negotiated land sale with the Community of Hollis generated \$275,000 of principal revenue.

#### SUBDIVISIONS

Two Fish Lake and Island Lake road construction projects were completed; newly platted lots have been included in the Annual Competitive Land Sale. Principal funding for these subdivision projects \$66,860. The TLO estimates these parcels will yield approximately \$635,000 in revenue.



View from subdivision at Two Fish Lake, Nikiski, Alaska

#### AGREEMENTS

The State of Alaska, Department of Transportation and Public Facilities holds a Revocable License for temporary storage in support of the Statewide Library Archives Museum (SLAM) project located at the Trust's Subport parcel in Juneau. This agreement, signed in October, will generate \$100,800 per year in Income.

The TLO continues working to increase revenue generation from existing utilities infrastructure. These agreements are (and will be) long-term, steady streams of Income Revenue. A fiber optics installation on existing rights of way for electrical transmission line added \$41,000 in revenue per year for twenty-five years, totaling \$1 million to Income over the term of the easement agreement.

#### STEWARDSHIP

In June of 2013, the Municipality of Anchorage, Platting Board Authority approved the TLO's request to consolidate tracts and vacate certain easements in the Community Park Alaska Subdivision. The action netted an increase of eight acres of developable Trust land on the corner of Bragaw and Northern Lights. This replat,

# TRUST LAND OFFICE FY2013

together with the recent removal of wetlands designations on this property, positions The Trust for future revenue generating opportunities.



Members of the public at “the Butte”, near Palmer, Alaska

The TLO is working with the Greatland Trust to facilitate the potential 40-acre sale of “the Butte” to the Mat-Su Borough. This area has been subject to an increasing amount of public recreation. Due to the location of the parcel (top of the butte), much of this property is considered undevelopable.

Portions of the Stewart Creek Fire, located 20 miles due east of Fairbanks, burned 1,844 acres of Trust land. TLO staff recently conducted an on-site inspection to evaluate reclamation after impacts occurred from suppression activities.

The TLO continued to monitor and manage a remediation project after a plane crashed spilling 3,000 gallons of heating oil on Trust land near Nenana, January 2007. Soil samples taken in June 2013 indicated that no contamination was present above Alaska Department of Environmental Conservation cleanup levels. Site close out is estimated to be complete in FY14.

## Real Estate

The University-Medical District, Anchorage, Tract D-2 lease was finalized, initially bringing in over \$116,000 per year. Rents will increase over the 70 year term potentially totaling \$14,000,000.

The TLO closed on the acquisition of a facility in Ogden, Utah under a long-term lease to the US General Services Administration (GSA). The facility will produce over \$500,000 of annual Income Revenue. This is The Trust’s first acquisition outside the state of Alaska.

The TLO has completed its due diligence of 2330 Nichols Street, Community Park Alaska Subdivision, Anchorage. Subject to the completion of the Phase II roof replacement, funded and supervised by the State of Alaska, the TLO will accept the transfer of control of the property from the Department Health and Social Services to The Trust which is expected to occur in 2014.



The Assets Inc. building, Anchorage, Alaska

The Real Estate Management Program has generated \$1,009,772 of cash flow since inception.

# TRUST LAND OFFICE FY2013

## Minerals and Energy

Buccaneer Energy produced gas from the Kenai Loop Field Pad No. 1 for the entire year. The first production well was joined by a second producing well in the second half of the year. Royalties for the year exceeded \$2,000,000.

The Fort Knox gold mine produced significant royalties during the year as the result of high gold prices and low cost production from the Walter Valley heap leach facility. Fort Knox royalties exceeded \$4,000,000 for the year.

Approximately 280 acres of surface estate at the Fort Knox gold mine was sold to Fort Knox Gold Mining Inc. (FGMI) for \$386,680 of Principal revenue.



Dave Szumigala of Kinross Gold panning for gold at Ophir

A lease was signed with FGMI (Kinross Gold Corp.) to explore and develop the gold resources at the Ophir Block; exploration crews conducted surface and trench mapping and sampling during June and July 2013.

Trust land leased to Freegold Alaska Ventures, Ltd. at Cleary Summit was increased to 412 acres. Freegold continued to drill and define gold resources (currently 6.5 million ounces gold) on the adjacent land.

Riversdale Alaska, LLC conducted a detailed airborne geophysical survey (448 line lines) on Trust land near Chickaloon. They completed 3,800 feet of core and 900 feet of rotary exploration drilling with plans to resume drilling in July 2013. The company also conducted environmental studies focused on raptors, fish, noise, wetlands, water quality, hydrology, meteorology, and cultural resources.

PacRim Coal submitted one of two Alaska Surface Coal Mining Control and Reclamation Act permits for the Chuitna coal project; submissions were also completed for wetlands and air permits.

Linc Energy completed geophysical surveys and a minor amount of drilling on their three exploration licenses. Drilling was conducted in West Cook Inlet and seismic lines were completed on several blocks of land. A portion of the Nenana License Area was relinquished and therefore eliminated as a potential UCG exploration target.

Cook Inlet Energy was granted an extension by TLO to drill a wildcat well at Olson Creek in West Cook Inlet; the company initiated drilling of the well in June 2013 with completion expected in August.

# TRUST LAND OFFICE FY2013

Small mine placer production from the Fairbanks area (Fairbanks Creek and Dome Creek) contributed roughly \$68,000 of Principal revenue to The Trust.

DNR's Abandoned Mine Lands Reclamation Program enhanced access to Trust land through construction of bridges in the Healy Creek drainage in their continuing efforts to reclaim Pre-Law coal mining disturbances.

## Forestry

The Kasaan Timber Sale, Prince of Wales Island, executed in January, will generate \$1.2 million in revenue for the Trust over the life of the contract.

Under a Harvest Marketing Agreement, the Wrangell Institute Timber Sale was executed in April, 2013. The sale is expected to generate \$575,000 over the life of the contract, estimated to be 35% more revenue to The Trust as compared with a traditional "fixed stumpage" based contract.

The Leask Lake Timber Sale, Ketchikan, was completed after eight years. This sale generated \$7,040,000 over the life of the sale.



Greg Jones of the TLO and Eric Nichols of Alcan Forest Products LP overlooking Leask Lake

# TRUST LAND OFFICE FY2013

## On the Horizon

Aurora Gas developed new access at Nicolai Creek, North Cook Inlet, and obtained permits to drill a new gas well on Trust land in the fall of 2013.

Final preparation began for the Summer 2013 Oil and Gas Lease Sale. Ten tracts will be offered in the Northern Cook Inlet Basin with approximately 50,000 acres included in the sale. Rents will start at \$10/acre.

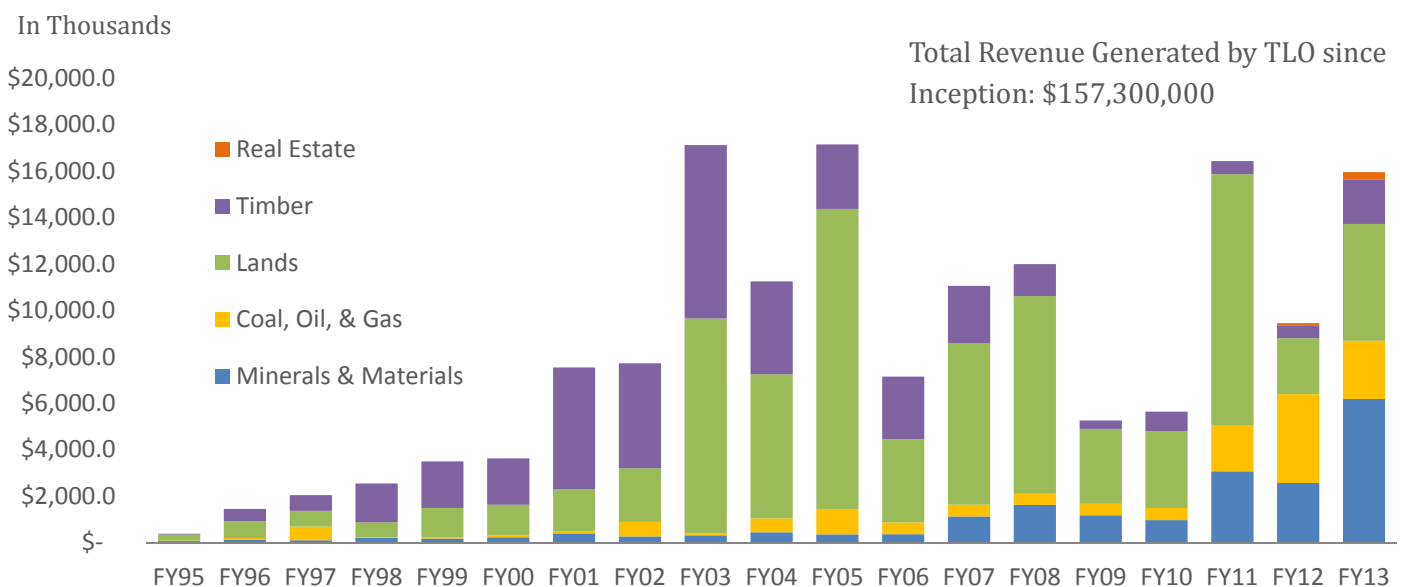
The TLO is working with the Alaska Railroad Corporation (ARRC) and the Matanuska-Susitna Borough regarding potential railroad rights of way on Trust land for the Port MacKenzie Rail Extension Project. This could open the potential for future development in the Mat-Su Borough and increased revenue possibilities for The Trust.

The Lands Section participated in the National Mitigation and Ecosystem Banking Conference which promotes a compensation process to replace loss of wetlands or habitat as a result of natural resource developments. The TLO is evaluating the market potential of various potential mitigation banking programs on Trust Lands.

The TLO has requested \$74,750 of Principal Funds for development costs for a potential subdivision at Harding Lake. It is estimated that subdividing this area will generate \$235,000 in revenue.

The TLO will be working with Trust Authority staff and the Trustees to identify strategies and develop policies for beneficiary-related real estate needs. These will guide the TLO when providing expertise to The Trust for beneficiary related real estate projects.

The TLO will continue to focus acquiring assets in the Lower 48 under the Real Estate Management Plan.



# TRUST LAND OFFICE FY2013

## Revenues

As of June 30, 2013

PRINCIPAL	ACTUAL	(UNDER)/OVER	ANNUAL GOAL	% of GOAL
Coal	-	-	-	-
Oil & Gas	2,087,184	87,184	2,000,000	104%
Minerals	5,500,336	5,070,336	430,000	1,279%
Materials	11,850	(8,150)	20,000	59%
Timber	1,614,094	864,094	750,000	215%
Land	3,438,934	2,838,934	600,000	573%
Real Estate	-	-	-	-
TOTAL	\$ 12,652,399	\$ 8,852,399	\$ 3,800,000	333%

INCOME	ACTUAL	(UNDER)/OVER	ANNUAL GOAL	% of GOAL
Coal	226,029	142,929	83,100	272%
Oil & Gas	276,505	92,005	184,500	150%
Minerals	711,958	238,958	473,000	151%
Materials	-	-	-	-
Timber	284,840	122,340	162,500	175%
Land	1,644,479	647,579	996,900	165%
Real Estate	329,386	94,386	235,000	140%
TOTAL	\$ 3,473,198	\$ 1,338,198	\$ 2,135,000	163%

TOTAL	ACTUAL	(UNDER)/OVER	ANNUAL GOAL	% of GOAL
Coal	226,029	142,929	83,100	272%
Oil & Gas	2,363,689	179,189	2,184,500	108%
Minerals	6,212,294	5,309,294	903,000	688%
Materials	11,850	(8,150)	20,000	59%
Timber	1,898,934	986,434	912,500	208%
Land	5,083,413	3,486,513	1,596,900	318%
Real Estate	329,386	94,386	235,000	140%
TOTAL	\$ 16,125,597	\$ 10,190,597	\$ 5,935,000	272%

Trust Land Office  
 2600 Cordova Suite 100 Anchorage, Alaska 99503  
 Phone: 907-269-8658 Fax: 907-269-8905