

The Alaska Mental Health Trust Authority Trust Land Office

BEST INTEREST DECISION Kasaan Timber Sale Addition

MHT 9100666
MH Parcel C70871

In accordance with AS 38.05.801 et seq. and the implementing regulations governing Alaska Mental Health Trust (“Trust”) land management (11 AAC 99), Trust land shall be managed consistently with the responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)). This means that management shall be conducted solely in the best interest of the Trust and its beneficiaries.

In determining the best interest of the Trust and its beneficiaries, and in determining consistency between state law and the Alaska Mental Health Enabling Act, the Executive Director of the Alaska Mental Health Trust Land Office (“TLO”) shall, at a minimum, consider the following interactive Trust management principles in accordance with 11 AAC 99.020:

- Maximization of long-term revenue from Trust land;
- Protection of the corpus;
- Protection and enhancement of the long-term productivity of Trust land;
- Encouragement of a diversity of revenue-producing uses of Trust land; and
- Management of Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries.

I. Proposed Use of Trust Land. Disposal, through adding to existing contract, approximately 5 million board feet (MMBF) of Trust timber in the Kasaan Area near Thorne Bay, Prince of Wales Island within a two to three year period.

II. Applicant/File #. TLO/MHT 9100666

III. Subject Property.

A. Legal Description. all or portions of Sections 3, 10, 11, 12, 13, 14, 15, 22, 23, 24, 25, 26, 27, 35, T72S, R84E, Copper River Meridian, containing approximately 4,577.5 acres more or less.

B. Settlement Parcel Number(s). C70871

C. Site Characteristics/Primary Resource Values. Trust parcels subject to this decision are located approximately 7 miles south of Thorne Bay. The proposed sales include a portion of the Thorne Bay 1 & 2 Timber Sales (harvested in 2002 - 2005). In general, topography and vegetation are characteristic of Southeast Alaska. Landforms include moderately forested slopes and benches but are predominantly

flat in nature. The Commercial timber stands are composed primarily of previously harvested areas. Primary resource values for the parcel are commercial timber lands.

- D. Historical and Existing Uses of the Property.** Timber harvest has previously occurred on and adjacent to this parcel.
- E. Adjacent Land Use Trends** Mining for copper and other trace elements and timber harvest have occurred on this and adjacent lands.
- F. Previous State Plans/Classifications.** DNR Central/Southern Southeast Area Management Plan.
- G. Existing Plans Affecting the Subject Parcel.** None
- H. Apparent Highest and Best Use.** The highest and best use for the affected properties is timber harvest.

IV. Proposal Background. The sale area proposed was harvested in the 1960's. These acres were also included in the Thorne Bay 1& 2 Timber Sales and were either partially harvested or considered not viable at the time the existing timber sale was advertised. Favorable markets have increased the value of young growth and small hemlock timber allowing the harvest of these areas to be considered. There is a small area of old growth timber near the existing sort yard that will also be harvested.

V. Terms and Conditions. Trust timber disposal was initially conducted under conditions that reflect the fair market value and was subject to competitive proposals. The resulting sale contract is substantially the same as those used by the TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO contract administrator and the Department of Law.

VI. Resource Management Considerations. The proposal is consistent with the TLO's adopted asset management strategy, which emphasizes disposal of Trust assets at the high end of their market values, in a manner that maximizes revenues to the Trust at prudent levels of risk. Due to the time value of money, harvesting timber as soon as it reaches a marketable state is advisable.

VII. Alternatives.

- Do Nothing. This alternative assumes that timber values will increase substantially over time, which is not a prudent assumption, given historic trends and future projections.
- Alternate Development. Due to their character and location, the parcels do not lend themselves to other development opportunities that would produce a return to the Trust comparable to commercial timber harvest. However, commercial harvest of the timber will, in some cases, facilitate other commercial opportunities on the lands.
- Proceed as Proposed. This is the preferred alternative given the likely marketplace circumstances that will affect Trust timber values.

VIII. Risk Management Considerations.

- A. Performance Risks.** Performance risks will be minimized through professional sale layout designs and by strict enforcement of the timber sale contract.

- B. Environmental Risks.** The proposed timber sales will not result in significant environmental risks to the Trust. Timber sale operations are governed by State and Federal regulations, as well as contract provisions requiring strict compliance with the Forest Practices Act and Regulations to minimize the risk of environmental impacts to air, water, fish, and wildlife. The contract will be strictly enforced.
- C. Public Concerns.** Timber sale proposals usually result in public concerns about potential impacts. Where necessary, the TLO will attempt to minimize these concerns through public outreach actions, including meetings with local government representatives in the applicable areas. Another concern that may be raised is the possibility of Trust timber being exported, rather than processed locally. While the Trust will encourage its timber buyers to make timber available to local producers, it cannot require that outcome if doing so will reduce value received by the Trust.

IX. Due Diligence.

- A. Site Inspection.** The TLO has experience managing timber resources in Southeast Alaska. Forestry consultants under contract to the TLO have been consulted and concur with the TLO's recommendation to harvest the subject timber. Each parcel has been visited by either TLO staff or contractor and has been evaluated for timber harvest.
- B. Valuation.** Timber values were estimated by the TLO prior to the initial offering process for the Kasaan Timber Sale. The sale was awarded through a competitive process; prices reflect the current market conditions.
- C. Terms and Conditions Review.** The current Kasaan Timber Sale contract, MHT 910066 will be amended to include this volume. The Timber purchase, sale agreement, and amendments will be substantially the same as that used by the TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO and the Department of Law.

X. Authorities.

- A. Applicable Authority.** AS 37.14.009(a), AS 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal). AS 38.05.801 and 11 AAC 99.
- B. Inconsistency Determination.** As the proposed timber sale is specifically authorized under 11 AAC 99, any relevant provision of law applicable to other state lands is inapplicable to this action if it is inconsistent with Trust responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)) as clarified by AS 38.05.801 and Alaska Mental Health Trust land regulations (11 AAC 99). 11 AAC 99 includes determinations that certain State statutes applicable to other State land do not apply to Trust land unless determined by the Executive Director, on a case-by-case basis, to be consistent with 11 AAC 99.020. The State Statutes deemed inconsistent with Trust management principles and inapplicable to Trust land by these regulations have not been applied to this decision or this action, including, but not limited to, AS 38.04 (Policy for Use and Classification of State Land Surface), AS 38.05.035

(Powers and duties of the director), AS 38.05.300 (Classification of land), AS 38.05.945 (Notice), AS 38.05.946 (Hearings), and 11 AAC 02 (Appeals).

- XI. Trust Authority Consultation.** The Alaska Mental Health Trust Resource Management Committee was consulted on January 27, 2015. The Committee approved the action. This action being a disposal with a value under \$500,000 does not require full Trust Authority Consultation, subject to the outcome of the public notice process associated with specific sale decisions.
- XII. Best Interest Decision.** Given the information above and the information contained in the complete record, the Executive Director finds that the proposed transaction is in the best interest of the Trust, subject to the terms and conditions addressed in this decision. The decision is based upon the consideration of the five Trust management principles set out in 11 AAC 99.020 and is in full compliance with 11 AAC 99. This decision does not preclude the TLO from determining that an alternative proposal will serve the best interest of the Trust. A future determination of that nature will require a best interest decision specific to the proposal.
- XIII. Opportunity for Comment.** Notice of this Best Interest Decision will take place as provided under 11 AAC 99.050. Persons who believe that the decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020 or any other provision of 11 AAC 99, must provide written comments to the TLO during the notice period. Following the comment deadline, the Executive Director will consider timely written comments that question the decision on the basis of the best interest of the Trust and its beneficiaries or inconsistency with 11 AAC 99. The Executive Director will then, in his or her discretion, modify the decision in whole or in part in response to such comments or other pertinent information, or affirm the best interest decision without changes. The best interest decision as modified or affirmed will become the final agency action, subject to reconsideration procedures under 11 AAC 99.060. Additional notice will be provided for a substantially modified decision. If no comments are received by the end of the notice period, this best interest decision will be affirmed and the proposed action taken. (See notice for specific dates.)
- XIV. Reconsideration.** To be eligible to file for reconsideration of this Best Interest Decision, or to file a subsequent appeal to the Superior Court, a person must submit written comments during the notice period.

Persons who submit timely written comments will be provided with a copy of the final written decision, and will be eligible to request reconsideration within 20 calendar days after publication of the notice or receipt of the decision, whichever is earlier under 11 AAC 99.060(b). The Executive Director shall order or deny reconsideration within 20 calendar days after receiving the request for reconsideration. If the Executive Director takes no action during the 20-day period following the request for reconsideration, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to the superior court under AS 44.62.560.

XV. Available Documents. Background documents and information cited herein is on file and available for review at the TLO, located at 2600 Cordova Street, Suite 100, Anchorage, Alaska 99503. Phone (907) 269-8658. Email: mhtlo@alaska.gov.

The disposal action proposed by this decision will occur no less than 30 days after the first publication date of this decision, and after the conclusion of the TLO administrative process. For specific dates or further information about the disposal, interested parties should contact the TLO at the above address, or visit the website at: www.mhtrustland.org.

XVI. APPROVED:



Marcie Menefee
Executive Director
Alaska Mental Health Trust Land Office



Date