

Trust

Alaska Mental Health
Trust Authority

Resource Management Committee Quarterly Meeting July 30, 2020

TAB 1
RMC AGENDA

Meeting Agenda



Meeting: Resource Management Committee
Date: July 30th, 2020
Time: 9:45am – 11:15am
Location: Online via webinar and teleconference
Teleconference: (844) 740-1264 or toll call (415) 655-0003 / Meeting Number: 133 944 4474 # /
Attendee Number: #
<https://alaskamenthalhealthtrust.org/news/events/resource-management-committee-meeting-jul2020/>
Trustees: John Sturgeon (Chair), Rhonda Boyles, Verné Boerner, Chris Cooke, Laraine Derr, Anita Halterman, Ken McCarty

Thursday July 30th, 2020

1. Call to Order (John Sturgeon, Chair)
 - Announcements
 - Approval of Agenda
 - Ethics Disclosure
 - Approval of Minutes
 - 2020-04-22
2. Executive Director Report
3. USFS Land Exchange Update
4. Consultation(s):
 - a. Item A : Shelter Cove Timber Sale Consultation – Paul Slenkamp
5. Adjourn

TAB 2

04.22.2020 RMC MINUTES

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING
April 22, 2020
1:45 p.m.

WebEx Videoconference/Teleconference

Originating at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska

Trustees Present:

John Sturgeon, Chair
Rhonda Boyles
Ken McCarty
Chris Cooke
Verne' Boerne
Anita Halterman
Laraine Derr

Trust Staff Present:

Mike Abbott
Steve Williams
Carol Howarth
Miri Smith-Coolidge
Kelda Barstad
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Eric Boyer
Autumn Vea
Allison Biastock
Katie Vachris
Kat Roch

Trust Land Office:

Wyn Menefee
Jusdi Doucet
Marisol Miller
John Green
Chandler Long
Hollie Chalup

Also participating:

Charlene Tautfest; Rebeka Carpenter; Sheila Harris; Stephanie Hopkins.

PROCEEDINGS

CALL TO ORDER

CHAIR STURGEON called the meeting to order and began with a roll call. He stated that there was a quorum and asked for any announcements. There being none, he moved to approval of the agenda.

APPROVAL OF AGENDA

MOTION: A motion to approve the agenda was made by TRUSTEE DERR; seconded by TRUSTEE HALTERMAN.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

CHAIR STURGEON asked for any ethics disclosures. There being none, he moved to approval of the minutes.

APPROVAL OF MINUTES

MOTION: A motion to approve the minutes of January 29, 2020, was made by TRUSTEE COOKE; seconded by TRUSTEE DERR.

There being no objection, the MOTION was approved.

CHAIR STURGEON moved to Mr. Menefee's executive director report.

EXECUTIVE DIRECTOR'S REPORT

MR. MENEFEE began his report with Icy Cape where both mineral and timber are being done. He stated that the timber market is dismal. There is not a young-growth or small-diameter trees market, making that resource not sellable at this time. He continued that more timber revenues came in than was expected. He continued to the Naukati exchange timber sale and then the Nanny Bay timber sale. He stated that Mr. Slenkamp was working on the Kosciusko GNA sale, a Good Neighbor Authority. He is working with State Forestry. He noted that we were fortunate in the timing, because Mr. Slenkamp got this under contract before COVID happened. There was a good bid price, and the contractor was Sealaska. They will be ending the operation and will be vacating sometime in July. Sealaska has been an excellent partner. He talked about the log transfer facility and explained why this was a critical infrastructure for both the mineral exploration and the timber operation; a renewal for another 20 years was done for the easement. He move to Hollis on Prince of Wales Island, which is one of the areas selected for the Forest Service land to be exchanged. There is a historical boatworks facility there. He talked about the Nanny Bay timber sale, and then moved to the U.S. Forest Service land exchange. He highlighted that the appraisal values are complete, adding that for the purposes of the appraisal the timing of this is benefiting the Trust. In moving into Phase 2B there is the No Name Bay Supreme Court decision which has been argued, and we are awaiting a decision. No Name Bay is included in Trust lands to be exchanged, and the Forest Service will not accept that land with the cloud of a lawsuit pending on that title. Regarding the trespass in Hollis, the boatworks, the actual properties, the buildings, are owned by an individual. They trespass that valid authorization, and the Forest Service is going through a process to remove those. He added that

it is mostly on track to get done toward the end of this year or the beginning of next year. He talked about the Naukati exchange timber sale and then moved to commercial real estate. It is a busy time in the real estate realm, and we are in the process of recruiting for the senior real estate manager, which is underway. He continued that staff is also working actively to renew the property manager contracts and update them. He moved to minerals and introduced Hollie Chalup who came from Mining, Land & Water.

MS. CHALUP thanked all for the opportunity and honor to be part of the Trust Land Office. She gave a background on her education and experience to date, and added that she has an interesting and diversified State service background that she brings with her.

MR. MENEFEER added that she has a lot of good contacts with miners that trust her. Miners are a special breed, at least the placer miners, and it is good to have those relations. He stated that they are working with FGMI on some efforts toward expansion. A correct proposal to move forward would potentially mean increased revenues. The Commissioner of DNR stated that mining is an essential business, and it can work. Miners coming up from the Lower 48 will quarantine for 14 days and then start exploring and mining. Two placer leases are being finalized near Fairbanks, and we are working with other larger companies. He continued his presentation on mining, and then moved to lands. He introduced Chandler Long who came from the State Pipeline Coordinator's office. She just started, and also had some experience with Mining, Land & Water.

MS. LONG stated that she started in December, and before that was at the Department of Natural Resources for six years. She added that she is originally from Ketchikan, Alaska.

MR. MENEFEER moved on to the conditions of the land authorizations and spoke about COVID first. There have been some limited requests for canceling authorizations or delaying payments, but they have been small. Similar to the real estate, they will find out if it really is COVID-affected. This is being seen most with land authorizations for the tourism-related businesses. He added, that it is a small number of people that have done that. He stated that Bruce Buzby, the northern region manager, has been out on military leave and will be through June. He continued that the transfer and the sale of the old Gail Garcia property to Ionia took 19 years to get done. He reported that the best-interest decision process on the Knik River parcel was done and needed a few more steps to finalize that deal. He talked about Fish & Game, that they are in the process of purchasing an easement, and we expect to be paid \$75,000 for that. He moved to the water tank in Wrangell, which is on Trust land and in disrepair. It was removed at no cost to the Trust and will free up that land for other uses. He talked about the stewardship and added that the general permit online system went live with three sales in February. He touched on the Icy Bay log transfer facility and reiterated that it is a combination of lands, minerals, and forestry working together to get this; but it was an easement that already existed for the log transfer facility, absolutely critical infrastructure that is not on Trust land, but is needed in order to move forward. The application was in, went through the decision process with Mining, Land & Water, we collaborated, and found a different fee structure. A 20-year easement was given for free which was very important and will help the Icy Cape projects to move forward. He continued through his presentation, explaining as he went along, and then talked about the office move. The majority of it is done, but COVID hit in the middle of the move. He moved on to the IT and Title. The general permit system is online, and the land use application was migrated off of PerfectForms, which saves a lot of money. He explained Document Locator and how it works,

discussed administration, and concluded his executive director report.

TRUSTEE COOKE thanked Mr. Menefee for the very comprehensive report and asked about the status of the proposed regulations changes that the TLO is supporting.

MR. MENEFEE replied that the regulations have been written out and Mr. Abbott had talked with the advisory boards. He is still at the point of discussing one point of the regulations at the Department of Law, and we will be working on that to try to get a conclusion.

MR. ABBOTT explained that the tentative plan is to get them out for public comment in May, and then bring them back to the Trust for final approval later in the summer.

TRUSTEE HALTERMAN asked about the Good Neighbor Authority.

MR. MENEFEE replied that the Good Neighbor Authority is a program created by the U.S. Forest Service. The Forest Service has trouble with getting timber sales, and the idea was that they would use states' authorities to do Federal timber sales, but then the state partakes in some of the revenues from doing those timber sales. The end product is in Alaska. The Kosciusko sale is under the Good Neighbor Authority. State Forestry used Paul Slenkamp, the Trust's forester, because he has the most experience of getting the timber sales out.

CHAIR STURGEON stated that there has been a lot of discussion on the road to the Ambler Mining District. AIDEA approved some money to start building that road. He asked if that road would help to open up an Mental Health Trust lands.

MR. MENEFEE replied that no current Trust lands would benefit from that. He suggested the motion to discuss L Street.

CONSULTATION - L STREET DISPOSAL

CHAIR STURGEON asked for a motion.

MOTION: A motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office recommendation for the executive director to negotiate a disposal through lease or sale of all or part of Trust Parcels S1005 and S82631 and the subsequent execution by the TLO of the documents necessary to facilitate the transaction and development was made by TRUSTEE HALTERMAN; seconded by TRUSTEE COOKE.

TRUSTEE McCARTY stated that the motion is to do something to move towards the lease or sale of the property on L Street. He asked how this is different from other TLO actions that a decision from the Board is needed to do things.

MR. MENEFEE replied that L Street is in Downtown Anchorage, and is considered part of the commercial real estate portfolio. The highest and best use of this land would likely be some sort of commercial real estate development versus just a coffee cart. The idea is to be prepared in a commercial setting to move on this. He asked Mr. Green to walk through the consultation.

MR. GREEN stated that this was a consultation to grant the executive director the authority to

dispose of the subject property at fair market value either through a sale or a lease. This could be done competitively if it shows to be in the best interest of the Trust. It is imperative to put the Trust in the best position to entertain a variety of potential interests in the parcels and give the Trust the ability to be responsive and flexible in the negotiations with interested parties. He went through where the parcels were located and added that they are actually five separate lots that total about 44,000 square feet. Currently, they are marketing with the U-Med parcel in the form of a competitive sale/bid lease offering. Both of the parcels have been marketed in the past for commercial development with a preferred transaction being a long-term ground lease. Under the proposal, the executive director would have the discretion to configure a disposal of the parcels at fair market value or above; and the total revenue would be dependent on the terms and size of the disposal, including things like tenant improvement allowances or enhancements necessary to market the parcels. He continued that the Municipality of Anchorage currently has the parcels assessed for a cumulative total of just over \$2.6 million. He added, that was an approximate figure, and the fair market value would be substantiated by a real estate appraiser. This motion would allow the executive director to negotiate and execute a transaction in a more expedient manner than waiting for a specific transaction.

TRUSTEE COOKE asked if this matter would come back to the Board for any final approval.

MR. GREEN replied that this would be for a lease or a sale disposal.

MR. MENEFEE stated that this is being brought to the committee to recommend to the Full Board because of the potential value, and it would require a consultation; not an approval.

CHAIR STURGEON stated that there is a motion on the floor and asked for any further discussion. There being none, he called a roll-call vote.

After the roll-call vote, the MOTION was approved. (Trustee Boerne, yes; Trustee Boyles, yes; Trustee Derr, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)

CHAIR STURGEON called a break.

(Break.)

MR. ABBOTT stated that Mr. Menefee had another presentation.

BIG GAME GUIDE PERMIT PROGRAM UPDATE

MR. MENEFEE stated that the last presentation is an update to the Big Game Guide Permit Program and asked Chandler Jones to continue.

MS. JONES introduced herself and stated that one of her first projects has been getting the Big Game Permit Program up and running. This program is just a permit and is the smallest tier of authorization that the Trust gives. The intent is to use this authorization to support the other side of the duties for land stewardship. This program will give a Trust presence on some of the remote properties and will be a useful tool in mitigating unauthorized activity that is or has been occurring. This will also ensure getting paid for any type of commercial activity on Trust land. She talked about some of the different unauthorized activities. She noted that the application

period opened on April 1st and will continue for 90 days, through July 1st. During this term it is anticipated that complete applications with the \$500 application fee will be received, plus, in a sealed-bid format, the amount they are willing to pay to operate in these exclusive areas. She explained that there are two different fee structures: an annual-use fee for \$5,000 per year; and a per-client per-hunt fee, which is \$1500 per client per hunt. The highest combined total bid accompanying a complete application from a qualified individual will be offered the permit. There is also a 5.5-year permit term. She continued that it would end in 2026, and then there will be a potential for a noncompetitive renewal for another five years. If someone stays for the full 10 years, then another competitive offering will be done. That original permitholder could still apply in that offering. She talked about the qualifications of a master guide and then talked about the properties. She went over the management principles, stating that the land is managed prudently, efficiently and with accountability in seeking low-risk operators and simultaneously trying to minimize the TLO administration of the program.

MR. MENEFEE thanked all for the attention, and he looked forward to meeting all in person.

CHAIR STURGEON thanked Mr. Menefee and his staff for an outstanding job in giving a good understanding of the issues. He asked for any questions. There being none, he asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE DERR; seconded by TRUSTEE HALTERMAN.

There being no objection, the meeting was ADJOURNED.

(Resource Management Committee meeting adjourned at 3:50 p.m.)

TAB 3

ITEM A – Shelter Cove Consultation



To: John Sturgeon, Chair
Resource Management Committee
From: Paul Slenkamp
Date: 7/30/2020
Re: Shelter Cove Timber Sale, MHT 9101005
Fiscal Year: 2021

Consultation

Proposed RMC Motion:

"The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the disposal of the old growth timber acquired through exchange and reconstruction of road in the Shelter Cove area, near Ketchikan, through a competitive timber sale on Trust Land on Revillagigedo Island."

Background:

Revenue Projections:	Principal	(up to) \$12,750,000
	Income	(up to) \$ 2,250,000

Transaction/Resource: The Trust Land office (TLO) will offer approximately one hundred million board feet (100 MMBF) of old growth (not previously harvested) timber through a competitive sale on a portion of the approximately 8,224 acres of Trust land acquired through the Alaska Mental Health Trust Land (AMHT) Exchange Act of 2017. These lands have been extensively harvested by the USFS in the past. It is expected that there is 4,304 acres of old growth timber to be harvested. The federal land exchange appraisal process should allow conveyance of most if not all the lands identified in the AMHT land exchange.

The sale will encompass all old growth (OG) timber deemed economic to harvest by the purchaser within the Trust's Shelter Cove exchange lands which are expected to total approximately 8,224 acres. The sale will start with the reconstruction of road and bridges on current Trust lands (Leask Lake parcel, C70932 & C32118) through funding supplied by the Alaska Department of Transportation. The harvest of timber will commence upon the Trust receiving conveyance of the exchange land. This could be up to 4,304 harvestable acres of old growth timber (100 mmbf). The land exchange is expected to be completed in January 2021.

The Shelter Cove road and bridge upgrades are essential to make this a viable timber sale because it is how the timber will be transported from the timber sale units. The existing bridges are degraded to a point that they are not useable for timber operations. The party awarded the timber sale will have the

responsibility to complete the road and bridge work as part of the sale. Upgrades of the Shelter Cove road on Trust lands will commence as soon as possible with funding made available from the AKDOT. The upgrades will include replacement of 5 existing bridges and resurfacing, realignment of road on 3.2 miles of road and other miscellaneous road work.

The timber sale will be for ten years, which may be extended upon consent of both parties. The remaining Shelter Cove young growth timber will be offered when it is determined that the stands are ready for harvest and market conditions are suitable for disposal.

Property Description/Acreage/MH Parcel(s): The property is about 14 ½ miles NE of Ketchikan on Parcel CRM- T73S, R92E, portions of sections: 7, 8, 16, 17, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35 & 36 of Parcel CRM-T73S, R91E portions of sections: 24 & 25; CRM-T74S, R92E portions of sections: 1, 2, 3 & 4 of Parcel CRM-7059; approximately 8,224 acres.

General Background: The TLO has engaged in the sale of timber as a major contributor to its traditional revenue portfolio. The proposed timber sale will dispose of old growth (not previously harvested) commercially viable timber on Trust lands located on Revillagigedo Island, near Ketchikan. The proposed timber sale is the result of both State of Alaska (SB 88) and Federal (S.131) legislation passed in 2017. The proposed sale is composed of timber on lands to be acquired through the Alaska Mental Health Trust Land Exchange Act of 2017.

The Trust Resource Management Committee has heard and approved various consultations on the land exchange beginning in 2005. An excerpt from Resolution 10-2 approved by the full board of Trustees on May 11, 2010 reads: "Whereas, the TLO presented a consultation to the Resource Management Committee (RMC) on a timber lands exchange with the US Forest Service (USFS) on May 15, 2007, during which the following motion was passed. "The RMC recommends the Board of Trustees authorize the TLO to exchange certain Trust Land to the US Forest Service for National Forest Land both shown on maps attached to the May 15, 2007 RMC consultation." This motion also passed with Full Board approval on May 30, 2007.

At the January 4, 2018 meeting, a revised exchange proposal was presented to the RMC and passed with the following resolution: "The Resource Management Committee recommends that the Alaska Mental health Authority board of directors concurs with the Executive Director of the Trust Land Offices' decision that the land exchange contemplated by the Alaska Mental Health Land Exchange Act of 2017 is in the best interests of the Trust, as required by 22 SLA 17, Section 6 (a)(2)." In this same consultation the RMC increased the allocated budget for the exchange from \$3.1 million to \$6.2 million. This timber sale will assist in recouping that investment.

The TLO has positioned the land exchange to play a key role in the preservation of the existing timber industry in SE Alaska. A healthy timber industry is a key component to maximizing timber receipts to the Trust. The consultation stated, "making this funding available will allow the TLO to take advantage of the congressional support and potential alignment of the national forest plans toward addressing "Sustainable Forestry in Southeast Alaska" with this important initiative."

The continuing operation of the remaining SE timber industry was a key component in the passage of the AMHT Land Exchange Act of 2017. It is hoped that the proposed timber sale will assist in providing sufficient timber to the southeast Alaska timber industry to remain operable until other landowners can market additional timber. The support garnered from the Tongass Futures Roundtable, the Governors Timber Task Force, Secretary of Agriculture Vilsack, Senator Murkowski, Tongass Advisory Committee, and others was centered on retaining the existing industry. This benefits the Trust by maintaining viable customers to buy Trust timber.

A signing ceremony for SB 88 was held in Ketchikan on August 10, 2017. This event was attended by Senator Murkowski, Governor Walker, State Senator Stedman and Representative Ortiz and others. "This is an opportunity to help the Alaska Mental Health Trust as they seek to provide for the most vulnerable in our state," Murkowski said. "Because of this exchange, we have protected viewshed, we have allowed for support for our timber industry because of the exchange and again, provided a valuable resource to the Alaska Mental Health Trust."

The support of the Alaska Forest Association (AFA), City of Ketchikan, and SE Conference hinged upon the fact that old growth timber located in southeast Alaska would be made available for harvest. The lobbying efforts of these organizations were major factors in the passage of the legislation. The Trust sold the Naukati Exchange Timber sale to Viking Timber, a sawmill operating in Klawock, in 2018. Operations on the Naukati portion of Trust exchange lands commenced in March 2019. This timber has allowed that sawmill (last remaining medium size sawmill in Alaska) to remain in operation.

The proposed Shelter Cove Timber sale will assist timber companies in SE Alaska to obtain sufficient timber to remain in operation. This sale will be a competitive sale at fair market value and produce revenues which exceed the average return of State and Federal timber sales which include domestic production.

Anticipated Revenues/Benefits:

1. The timber sale is expected to generate approximately \$15,000,000 in revenue in Fiscal Year(s) 21, 22, 23, 24, 25 & 26.
2. Harvest of timber will maximize revenue while providing for timber regeneration and future timber harvests.

Anticipated Risks/Concerns: There may be some anticipated public concern associated with the timber harvest. The land exchange has been a public issue for years and received the support from several environmental groups to provide timber to the SE Alaska Timber Industry. This timber sale should be an anticipated result of the exchange. The Shelter Cove area has a long history of timber harvest.

Although there have been concerns about the price reduction of timber in the overseas markets, this fluctuates over time dependent on geopolitical issues, market demand and other factors. However, this 10-year sale should provide sufficient time to allow companies to appropriately time their harvests to realize expected profits and pay acceptable stumpage fees.

Project Costs: TLO staff time and travel costs. The administrative oversight of the road construction portion should be paid for out of AKDOT funds.

Other Considerations: Sale of this timber may assist the Southeast Alaska forest products industry to remain in operation while alternate timber supplies from the US Forest Service and the State of Alaska become available.

Due Diligence: TLO staff members have visited the project area and conducted sale layout and timber cruises are being conducted. On-going field inspections and financial tracking will be conducted by TLO staff during the timber sale.

Alternatives:

1. **Do Nothing:** This alternative assumes that timber values will not be maximized by harvesting at this time. Timber is a commodity and the current markets are in fluctuation it is anticipated that this can be mitigated with an extended contractual time period.
2. **Alternate Development:** Due to the character and location, the parcel does not lend itself to other development opportunities that would produce a return to the Trust comparable to a commercial timber harvest. Commercial harvest of the timber will, in some cases, facilitate other commercial opportunities on the lands.
3. **Proposed Alternative:** This alternative will provide the Trust with revenue and will help to maintain customers for future timber sales. The harvest should not adversely impact other future development. Harvest now will allow a new forest to start. It is crucial to complete the Shelter Cove Road improvements while funding is available.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2016 in consultation with the Trust and provides for the TLO to focus first on land or resources at the high end of the market values (“best markets”). Given the current market values of timber, the prospective lands affected by this decision will be sold with an extended contractual period. This will allow a competitive environment to maximize value of proposals by potential purchasers.

Trust Land Office Recommendation: Proceed with the negotiated timber sale on the old growth portion of the Shelter Cove portion of the land exchange (CRM-7059).

Applicable Authority: AS 37.14.009(a), AS 38.05.801, and 11 AAC 99.

Trust Authority Consultation: This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Exhibit(s):

Exhibit A – Shelter Cove Legislative Map

Exhibit B – West Shelter Cove Map

Exhibit C – Center Shelter Cove Map

Exhibit D – South Shelter Cove Map

Exhibit E – Shelter Cove Road Project Map

Exhibit A

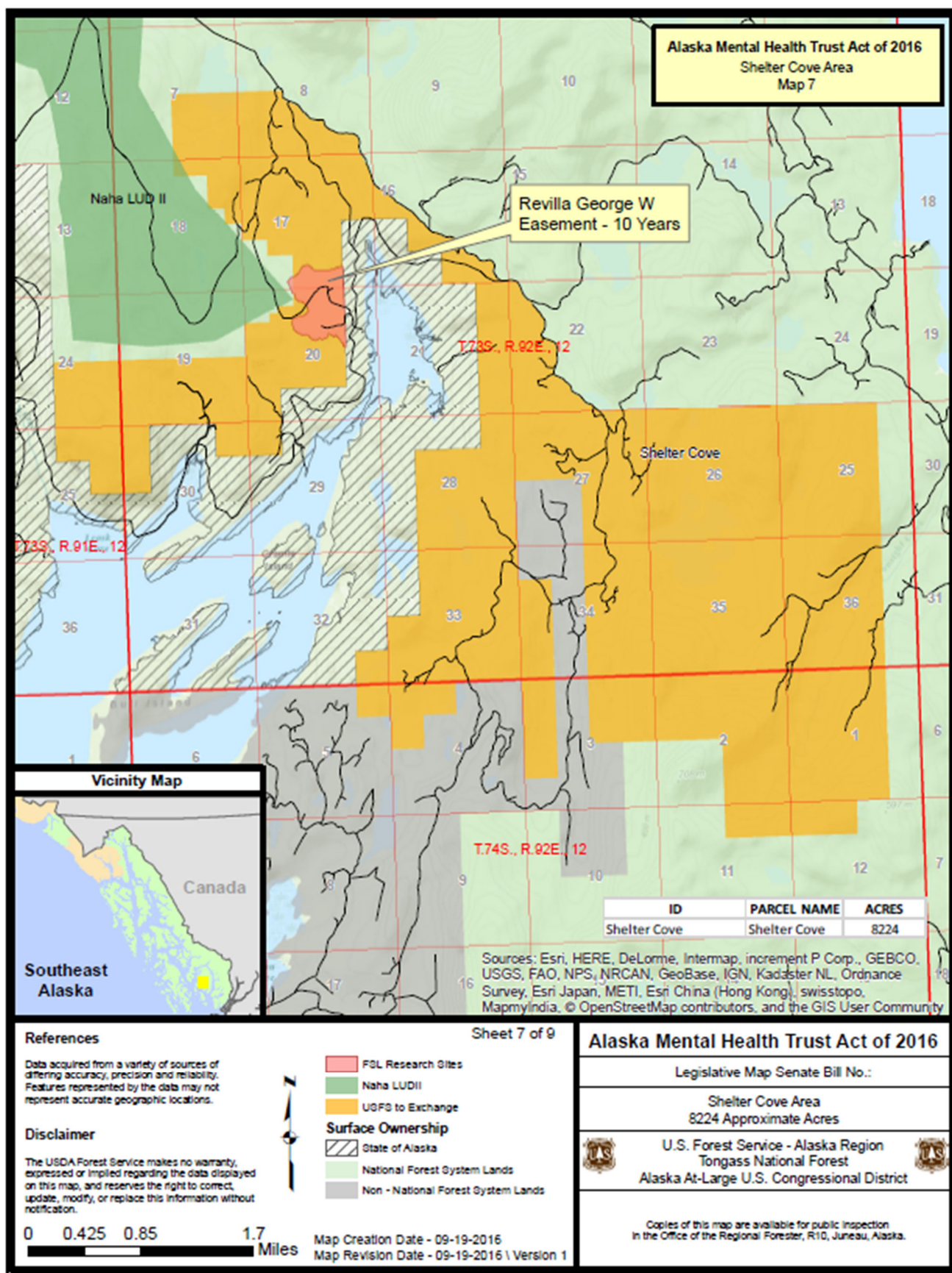
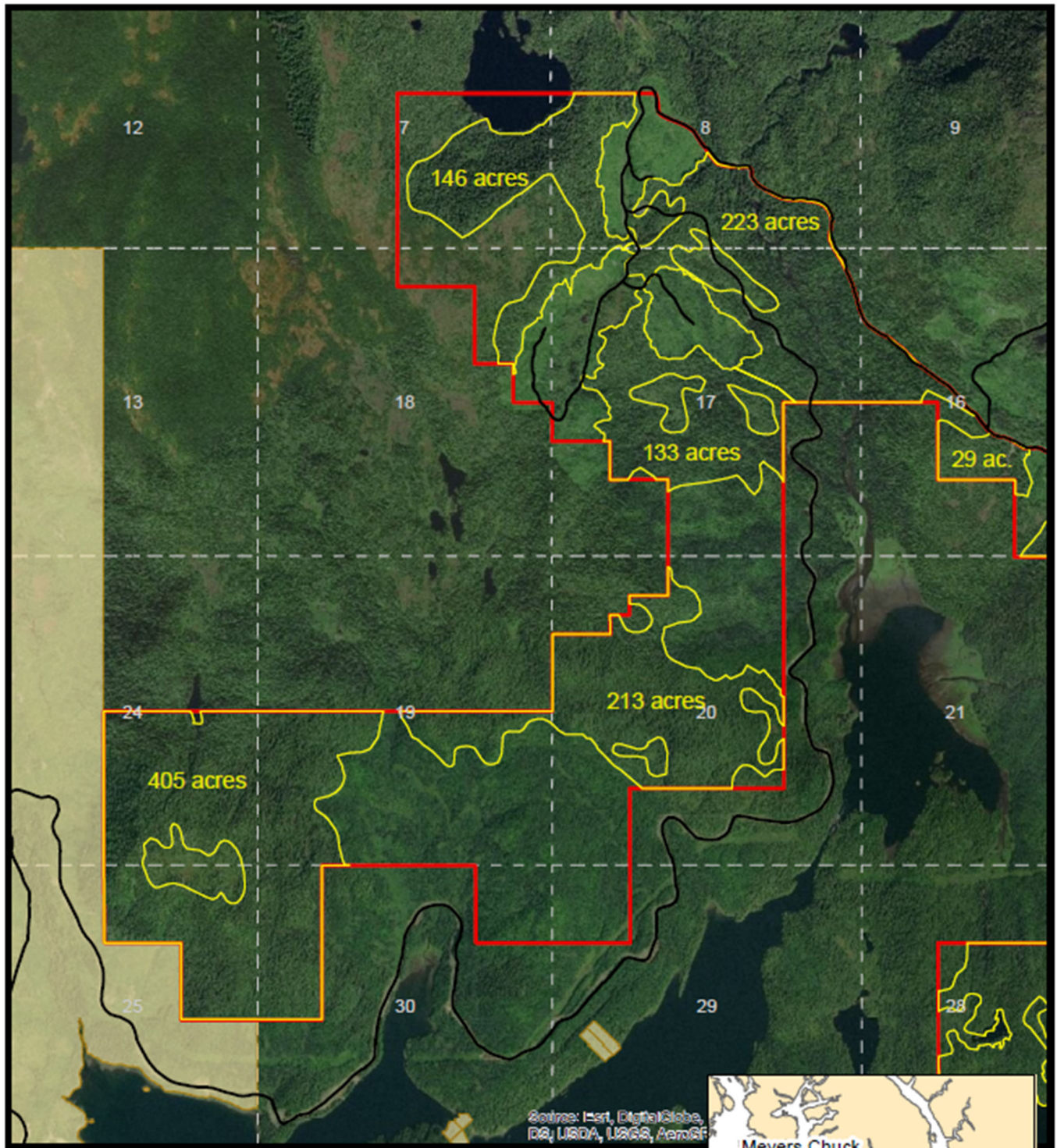


Exhibit B

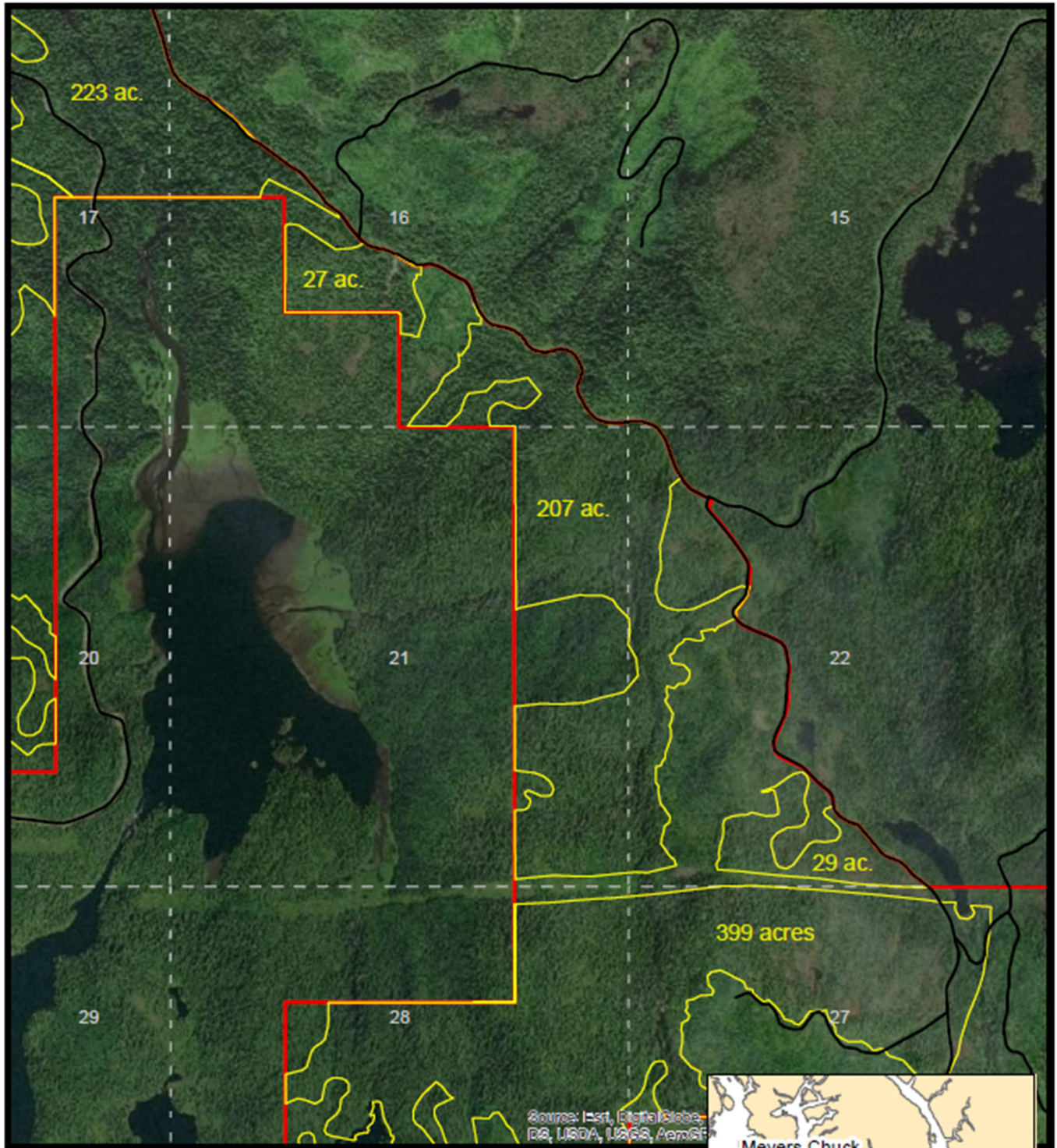


- Road
- Sale Area
- Exchange Land
- Mental Health Trust Parcels

Shelter Cove Timber Sale MHT 9101005



Exhibit C

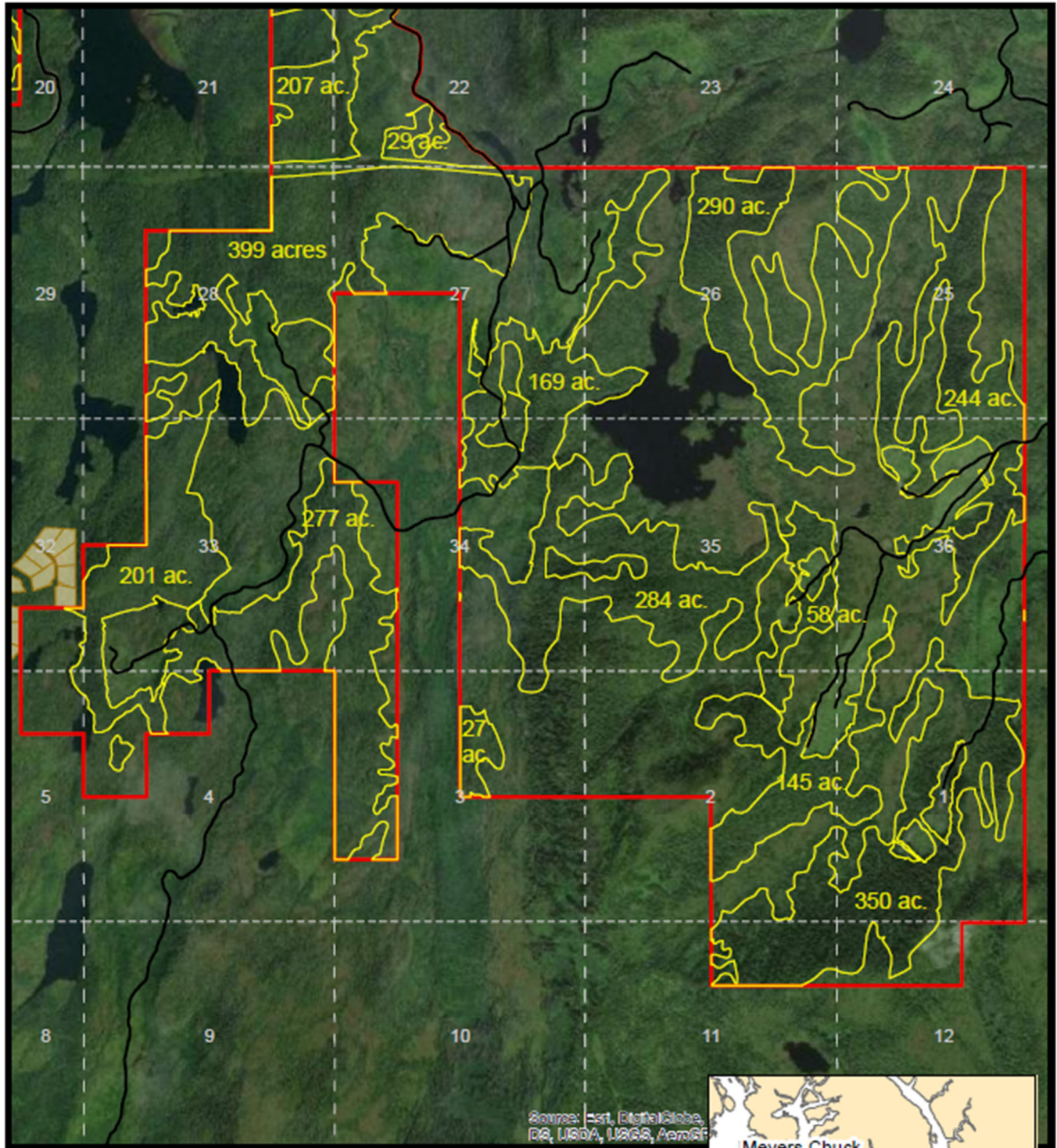


- Road
- Sale Area
- Exchange Land
- Mental Health Trust Parcels

Shelter Cove Timber Sale MHT 91001005



Exhibit D



- Road
- Sale Area
- Exchange Land
- Mental Health Trust Parcels

Shelter Cove Timber Sale MHT 9101005

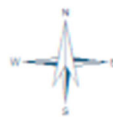
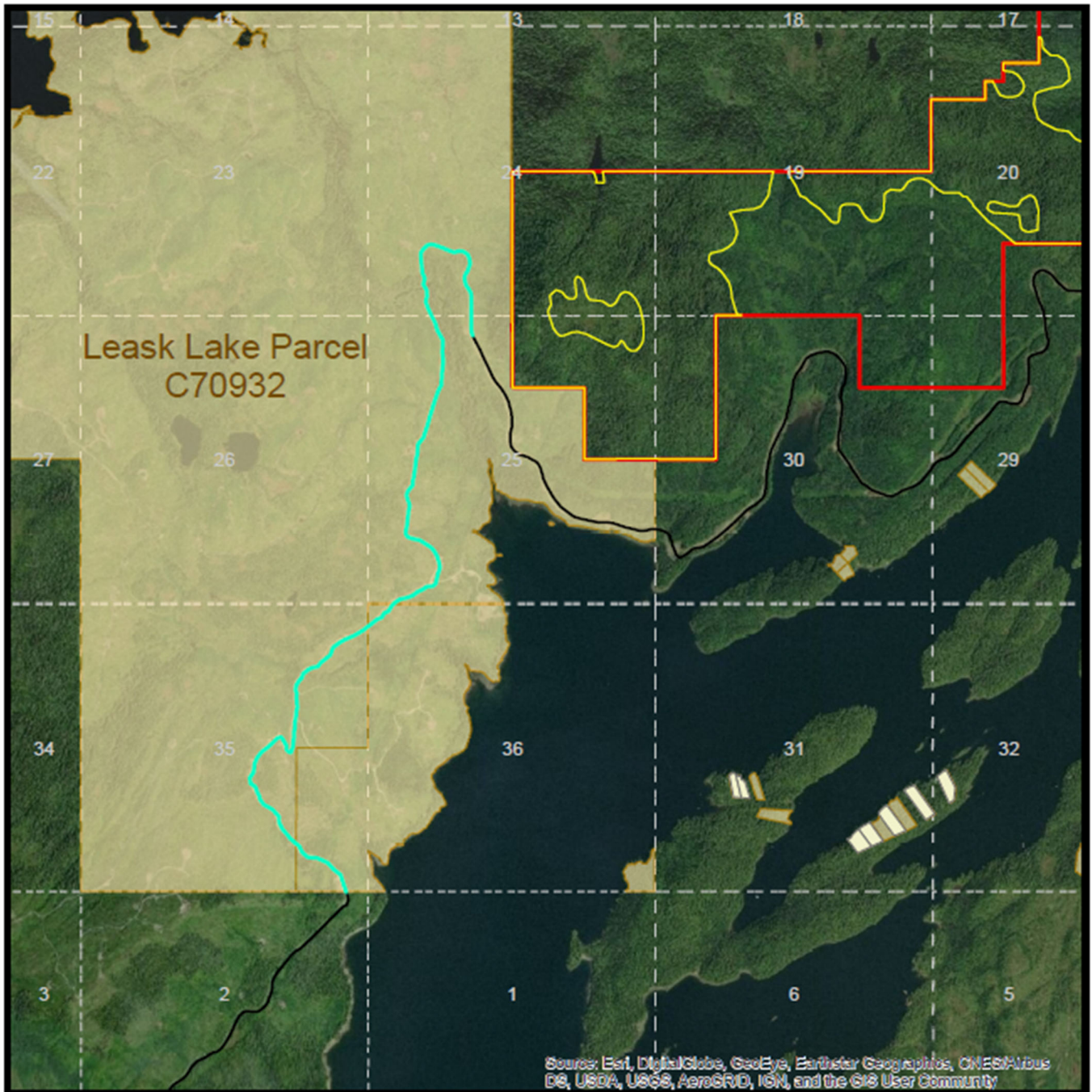


Exhibit E



Shelter Cove Timber Sale MHT 91001005

- Road
- Road Reconstruction (3.13 mi)
- Sale Area
- Exchange Land
- Mental Health Trust Parcels

