

Forestry on Trust Lands

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# Resource Management Committee

# The TLO Manages for the Trust

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- There is 100,000 acres in the northern region, 60,000 in South central and about 47,500 in SE. For a total of 207,500 acres of timbered land.
- Economic timberlands are those lands profitable to harvest
- Most of timberlands are in southcentral and northern regions
- About  $\frac{1}{4}$  of these lands (47,500 acres) are in SE & generate the revenue
- The Land Exchange **redistributed** Trust ownership in SE Alaska-started in 2005, legislation signed in 2017, completed August 30, 2021.
- The land exchange has restructured the TLO timberlands in lands 47,500 acres in 3 locations : Icy Bay, 18,000 acres, Prince of Wales 17,000 acres, and 12,500 acres on Revillagigedo (near Ketchikan)

# Timber Sales

## Revenue Generation

- Each timber sale begins by identifying what is out there (Inventory)
- The TLO is working on inventory with the AK DOF. (Completed about 135,000 acres to date).
- Many of the Trust lands are timbered but the parcels typically have insufficient timber and are too remote to be economically viable.
- The DOF has completed inventory on about 117,000 acres of Trust land adjacent to the Tanana State Forest, the TLO studied potential biofuel projects on these lands.
- The TLO utilizes the Forest Legacy program to fund Forest Stewardship plans on its lands. Plans have been developed for four (4) Trust properties- Leask Lakes, Tolstoi, Icy Bay and Tyonek. These plans provide a general overview and are used for future planning for forest stewardship and silvicultural activities such as precommercial thinning (PCT). They can also be used as the first step in carbon programs.

# Regulatory and Agency Relations

- Timber harvest on Trust lands are subject to the Alaska Forest Resources and Practices Act (FRPA). Trust lands are noted within the Act as private lands.
- FRPA is primarily structured to protect anadromous fish habitat and water quality (Title 16 Clean Water Act)
- FRPA is overseen by the Alaska Board of Forestry
- The Division of Forestry (DOF) is the lead agency and DEC and ADF&G inspect and review detailed plan of operations submitted for each unit of each timber sale.
- On the ground inspections with DOF and ADF&G occur for each “fish creek”, anadromous stream, within a designated timber sale unit.
- FRPA is a notification of agency review rather than a permitting process.

# ALASKA FOREST RESOURCES & PRACTICES ACT: **AS 41.17**

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DIVISION OF FORESTRY  
DEPARTMENT OF NATURAL RESOURCES

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This booklet compiles the 1978 Forest Resources and Practices with amendments passed in 1981, 1982, 1983, 1984, 1988, 1990, 1995, 1996, 1998, 1999, 2003, 2005, 2006, 2008, 2010, 2011, and Revisor changes. It does not include the attorney general's notes or the history notes that are given in the official compilation. The Department of Natural Resources provides this booklet as a public courtesy. The Department cannot guarantee the absolute accuracy of this reproduction of the Forest Resources and Practices Act (AS 41.17). For the official published version of the Act, please refer to the Alaska Statutes.

# AMHT (TLO) Timber Sales

- Generated over \$52 million in revenue since 1994 (TLO Inception)
- Revenue from timber sales are split 85% principal / 15% Income when deposited into the Trust Corpus.
- Timber is a renewable resource
- TLO is working on implementing a long-term timber management strategy
- The AMHT has about 47,500 acres of timberlands in 3 geographic locations in SE Alaska.
- The TLO also has several smaller sales in communities that provide local firewood, saw logs for lumber and house logs.
- The TLO currently has two major timber contracts in place, and recently closed two other large sales.



# Timber Sales Generated over \$52 Million

Sale	Operator	Year
Icy Bay - North of Yakutat	Citifor- Browning	1995 to 2004
Thorne Bay 1 (Kasaan)	Rayonier	2000 to 2002
Thorne Bay 2 (Kasaan)	Aloha Lumber	2002 to 2004
Katlain Bay, Sitka	Alcan FP	2002 to 2003
Wrangell, WRG Mill	Silver Bay Log	2005 to 2007
Signal Mountain, Ketchikan	Alcan FP	2007 to 2007
Leask Lakes, Ketchikan	Alcan FP	2005 to 2013
Wrangell Institute, WRG	Alcan FP	2012 to 2013
Control Lake, POW	Sealaska	2014 to 2015
Cat Island, Hollis – POW	Alcan FP	2015 to 2016
Kasaan (Thorne Bay 3)	Alcan Timber	2013 & 2021
Icy Bay – North of Yakutat	Sealaska	2014 to 2020
Yak Timber Sale, Yakutat	Yak Timber	2020 to 2021

# Recent and Current Timber Sales

- Icy Bay Timber sale –complete / harvested 28 mmbf- \$4.7 mil \* Closed 2020
- Kasaan Timber Sale - harvested 11 mmbf- \$1.55 mil \*closed 2021
- Naukati Exchange sale- harvested 40.2 mmbf for about \$4.8 mil to date; expected to generate a total of about 105 mmbf for \$ 14 million. Ongoing
- Shelter Cove Timber Sale 60 mmbf/ to be harvested- working on the Shelter Cove Road upgrade – harvest will commence Spring 2022
- Upcoming sales- Hollis timber sale 15.5 mmbf
- Young growth sales- Naukati Exchange YG Sale is consulted will advertise soon
- Current Purchasers: Viking Timber, Alcan Timber

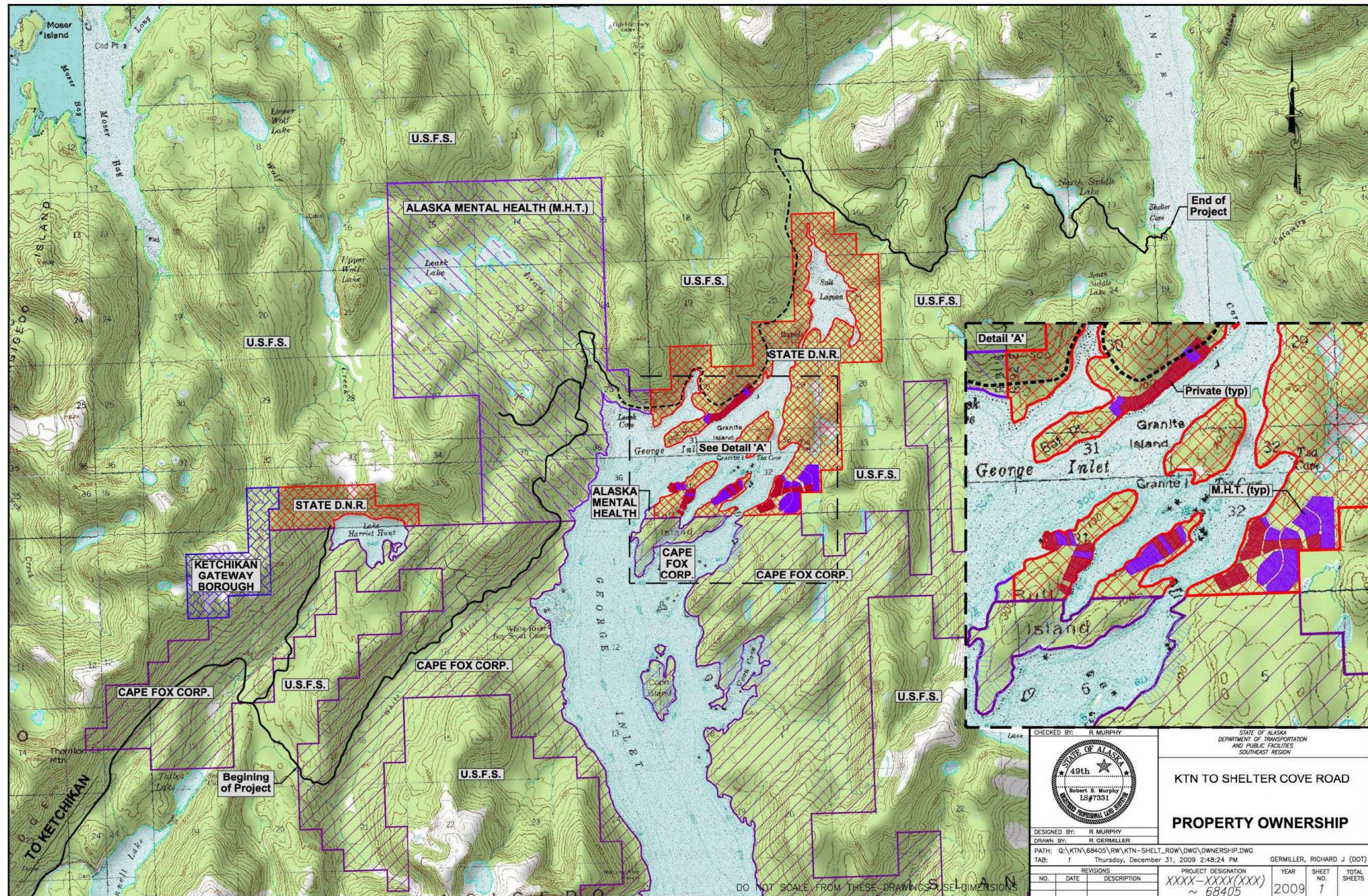


# Additional Timber Sale Facts

- The Land exchange has taken longer than expected. The average time for a Federal Land Exchange is 16 years.
- The two major sales resulting from exchange to date are: Naukati Exchange sale and the Shelter Cove Exchange Sale.
- Each of these sales has been held up with exchange issues. We are currently working on road easement assignments. This is an important item in long-term management.
- At least 4 additional exchange sales will be offered. Three (3) YG and the Hollis sale.
- The Shelter Cove Timber sale is tied to the AKDOT/PF Shelter Cove Road project. The TLO has an RSA with DOT/PF for \$5.8 million dollars. The TLO is the project manager, Alcan Timber/Pool Engineering are replacing 5 bridges, reconstructing and maintaining about 25 miles of road.



Figure 8. Property Ownership Map, Ketchikan to Shelter Cove





# Future SE Alaska Timber Supply

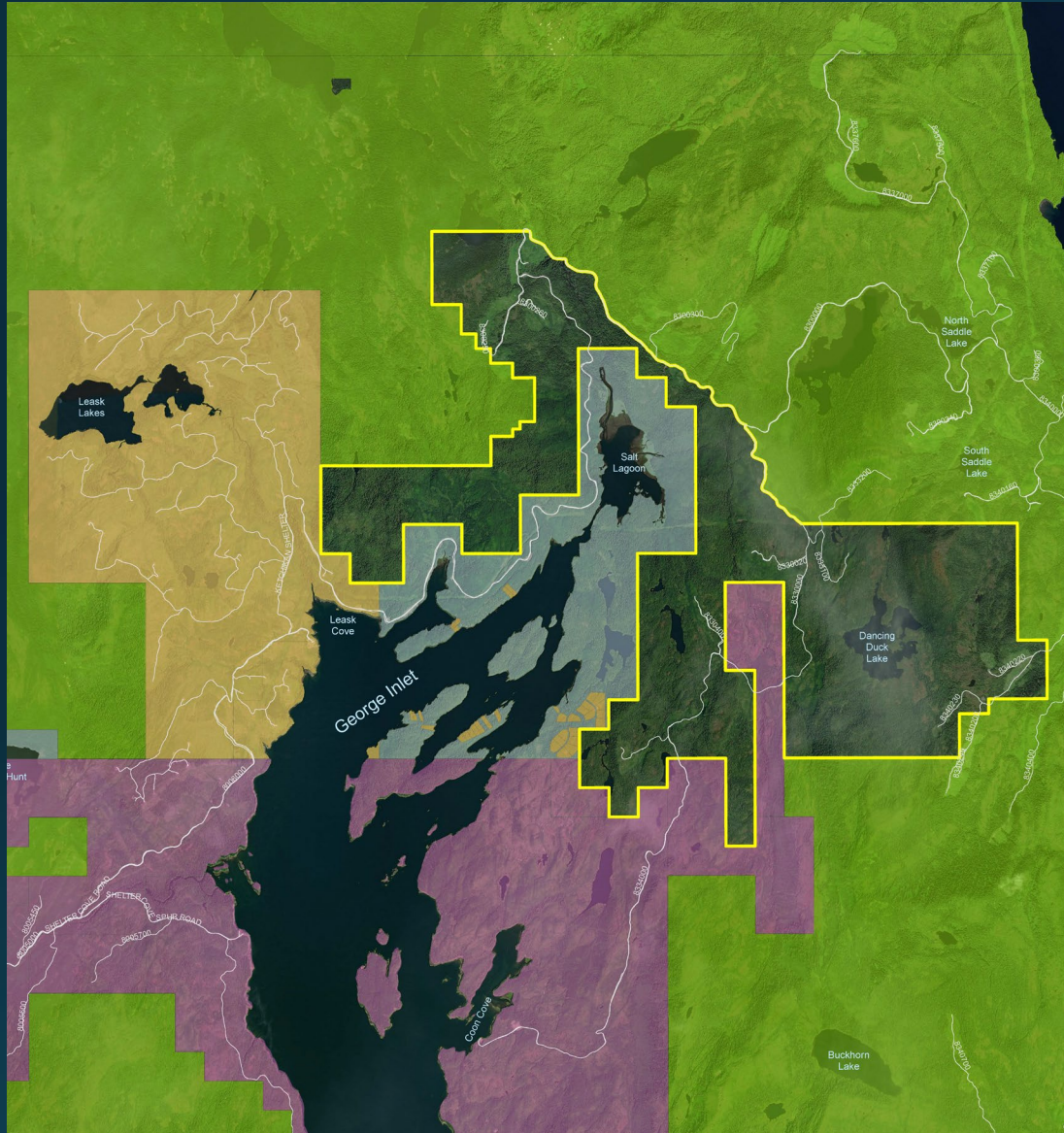
- In the past few months, the AMHT and State of Alaska have become the sole supplier of OG Timber to the Timber Industry in SE Alaska.
- Sealaska & USFS have announced severe reduction in the sale of OG timber
- The landowner's group (LOG), a group composed of the USFS, State agencies and Native Corporations have been working collaboratively to use infrastructure and resources to provide economic timber to the SE Alaska timber industry for about 8 years.
- This puts the TLO and State in a challenging position, the State has limited lands and is the smallest SE landowner in the LOG.
- **TLO has sufficient timber for 5 years, then a gap (10 to 15 years) before the next harvest is ready.**
- **The TLO to preserve timber revenue stream requires a strategy to transition from OG to YG**
- **With no purchasers the Trust has no market for future wood, a reciprocal relationship w/ industry and Trust is required**
- **70-year rotation-  $48,500/70 = 692$  acres/year;  $692 * 25\text{mbf/acre} = 15+ \text{mmbf year}$**
- A reasonable assumption is that the **Trust Lands will produce an ASQ of 15 mmbf year**

# TLO Timber Sale Contract Types

The TLO has sold timber sales in 3 basic payment forms:

- **Lump Sum:** The purchaser pays an amount of \$ for timber from parcel. Typically- 3 or 4 payments;
- **Stumpage Sale:** sold on \$/mbf by specie. Purchaser pays an agreed to amount per mbf for each specie harvested based on scale. Payments are on a monthly basis.
- **Harvest Market Agreement (HMA):** This method allows the purchaser and the Trust to share profits. Purchaser and TLO agree on costs. The return to Trust is based on a percentage of actual sales receipts minus costs.\*

\*Actual costs of logging, road construction, scaling, accounting, marketing Administration, Engineering, rafting- These items constitute - Freight Along Side (FAS) A percentage of profit (%) to be shared with Trust is identified. Purchaser provides actual sale receipts and cost invoices, TLO has right to have independent audit. Actual sale costs (AC) is determined by shipping, loading and FAS. Purchaser provides sale receipt (SR) TR (Trust Return) is equal to % times (SR-AC). Example – A sale is made at \$975/mbf, and the FAS contract cost is \$650. The TR=  $975 - 650 = \$325$  \*% (if % 50 TR would be \$162.50)



# Shelter Cove Exchange Timber Sale Old Growth

- 6,335 acres (reduced by 1680 acres to balance exchange)
- Awarded to Alcan Timber – Estimated to contain 60 mmbf
- Utilizes a Harvest Market Agreement
- Includes reconstruction of Shelter Cove Road (using a \$5.8 mil DOT RSA)
- Challenging marketing conditions
- Possible recreation and tourist opportunities
- Exploring Options to the typical extensive clear-cut harvest methods.

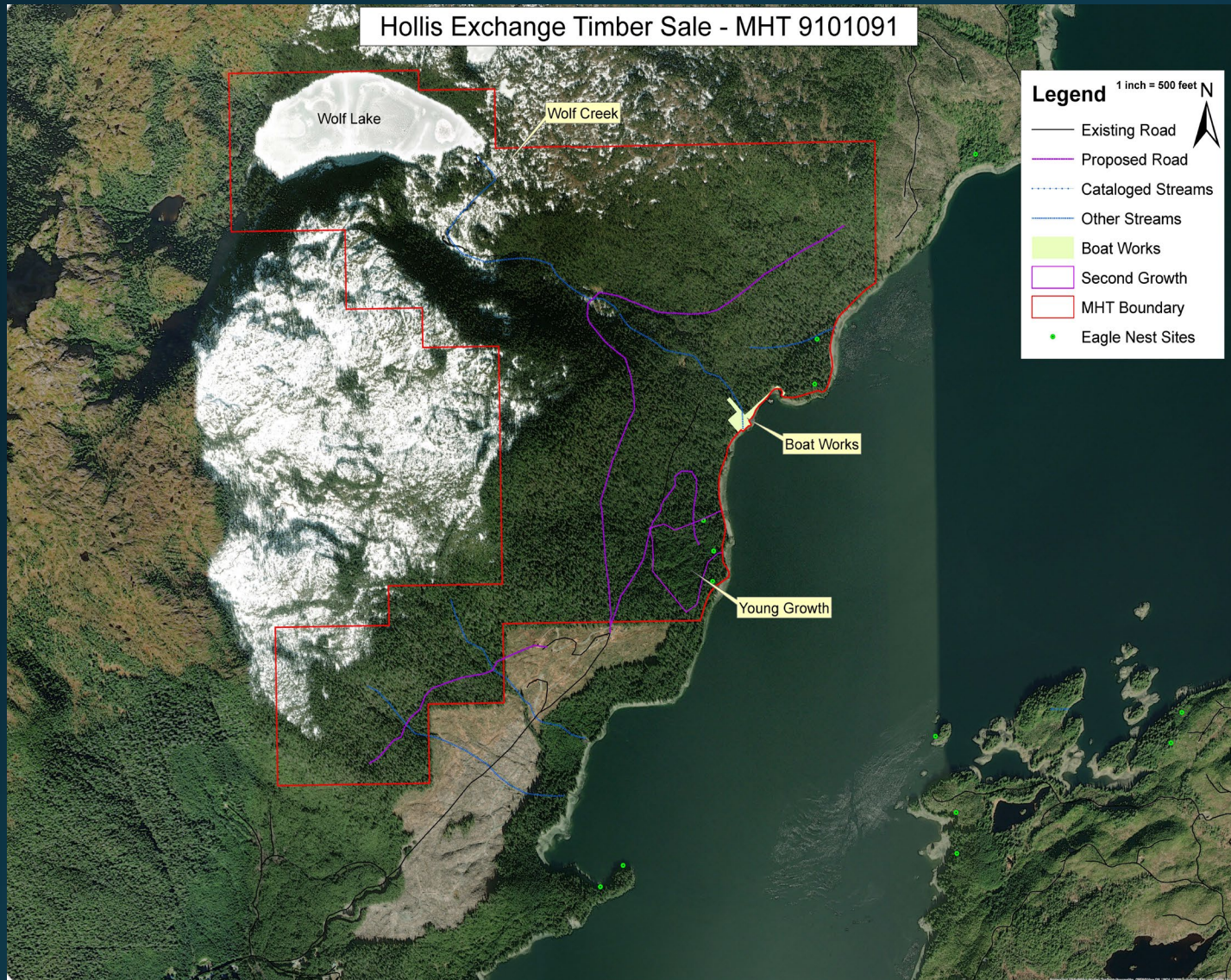


# Naukati Exchange Old Growth Timber Sale

- Contract signed with Viking March 2017
- Total area 10,880 acres about 4,400 acres have been previously harvested
- This sale is keeping the last (Major) sawmill in Alaska in business by supplying timber. This was a primary factor in land exchange
- Harvest commenced at Phase 1 conveyance- 1/2019, Phase 2A- 4/2020 & Phase 2B-8/2021
- This timber source was not expected to be the sole provider of wood to the facility







# Hollis Timber Sale

- Timber Cruise 15,750 mbf
- Already has public and media interest and high visibility
- Challenge- Maximize Revenue while maintaining relationship with public
- Determining the best method of sale should we:
  - Negotiate with local mill
  - Competitive stumpage
  - Carbon project
  - Harvest / Market Agreement
  - Combination of above



Questions?

Comments?

Thank you

