Resource Management Committee

Forestry on Trust Lands
Presented by Paul Slenkamp
October 20, 2021
The TLO Manages for the Trust

• 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 ¼ of these lands (47,500 acres) are in SE & generate the revenue


• 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 be 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
Reprinted May 2018

DIVISION OF FORESTRY
DEPARTMENT OF NATURAL RESOURCES

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.
<table>
<thead>
<tr>
<th>Sale</th>
<th>Operator</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icy Bay - North of Yakutat</td>
<td>Citifor- Browning</td>
<td>1995 to 2004</td>
</tr>
<tr>
<td>Thorne Bay 1 (Kasaan)</td>
<td>Rayonier</td>
<td>2000 to 2002</td>
</tr>
<tr>
<td>Thorne Bay 2 (Kasaan)</td>
<td>Aloha Lumber</td>
<td>2002 to 2004</td>
</tr>
<tr>
<td>Katlain Bay, Sitka</td>
<td>Alcan FP</td>
<td>2002 to 2003</td>
</tr>
<tr>
<td>Wrangell, WRG Mill</td>
<td>Silver Bay Log</td>
<td>2005 to 2007</td>
</tr>
<tr>
<td>Signal Mountain, Ketchikan</td>
<td>Alcan FP</td>
<td>2007 to 2007</td>
</tr>
<tr>
<td>Leask Lakes, Ketchikan</td>
<td>Alcan FP</td>
<td>2005 to 2013</td>
</tr>
<tr>
<td>Wrangell Institute, WRG</td>
<td>Alcan FP</td>
<td>2012 to 2013</td>
</tr>
<tr>
<td>Control Lake, POW</td>
<td>Sealaska</td>
<td>2014 to 2015</td>
</tr>
<tr>
<td>Cat Island, Hollis – POW</td>
<td>Alcan FP</td>
<td>2015 to 2016</td>
</tr>
<tr>
<td>Kasaan (Thorne Bay 3)</td>
<td>Alcan Timber</td>
<td>2013 &amp; 2021</td>
</tr>
<tr>
<td>Icy Bay – North of Yakutat</td>
<td>Sealaska</td>
<td>2014 to 2020</td>
</tr>
<tr>
<td>Yak Timber Sale, Yakutat</td>
<td>Yak Timber</td>
<td>2020 to 2021</td>
</tr>
</tbody>
</table>
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.
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 steam 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*25mbf/acre=15+ mmbf/year

• A reasonable assumption is that the Trust Lands will produce an ASQ of 15 mmbf year
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