

MEETING AGENDA

Meeting: Finance Committee
Date: July 26, 2022
Time: 9:30 AM
Location: online via webinar and teleconference
Teleconference: (844) 740-1264 / Meeting Number: 2454 486 6538 # / Attendee Number: #
<https://alaskamentalhealthtrust.org/>
Trustees: Brent Fisher (Chair), Verné Boerner, Rhonda Boyles, Kevin Fimon, Anita Halterman, Agnes Moran, John Sturgeon

Wednesday, July 26, 2022

Page No.

9:30	<u>Call Meeting to Order (Brent Fisher, Chair)</u> Roll Call / Announcements Approve Agenda / Ethics Disclosure Approve Minutes • April 20, 2022	4
9:35	<u>Staff Report Items</u> Financial Dashboard • Carol Howarth, CFO • Kat Roch, Budget Controller Forecasts – FY23 Revenue and FY24 & 25 Projection • Carol Howarth, CFO	Hand-Out Hand-Out
10:15	Break	
10:30	<u>Planning Items</u> Commercial Real Estate Update • Harvest Capital, Erin O’Boyle, Principal	14
11:45	Commercial Real Estate Update (continued) • David MacDonald, Senior Real Estate Asset Manager Executive session – (if necessary) <i>In accordance with the Open Meetings Act, AS 44.62.310(c).</i>	86
12:15	Lunch	
12:45	<u>Approvals</u> Trust Authority Office Agency Budget FY24 • Steve Williams, CEO Trust Land Office Agency Budget FY24 • Jusdi Warner, Executive Director	88 91
1:15	Adjourn	

Future Meeting Dates

Full Board of Trustee / Program & Planning / Resource Management / Audit & Risk / Finance

(Updated – June 2022)

- | | | |
|--------------------------------|----------------------------|------------------------|
| • Audit & Risk Committee | July 26, 2022 | (Tue) |
| • Finance Committee | July 26, 2022 | (Tue) |
| • Resource Mgt Committee | July 26, 2022 | (Tue) |
| • Program & Planning Committee | July 27-28, 2022 | (Wed, Thu) |
| • Full Board of Trustee | August 24-25, 2022 | (Wed, Thu) – Anchorage |
| | | |
| • Audit & Risk Committee | October 19, 2022 | (Wed) |
| • Finance Committee | October 19, 2022 | (Wed) |
| • Resource Mgt Committee | October 19, 2022 | (Wed) |
| • Program & Planning Committee | October 20, 2022 | (Thu) |
| • Full Board of Trustee | November 16-17, 2022 | (Wed, Thu) – Anchorage |
| | | |
| • Audit & Risk Committee | January 5, 2023 | (Thu) |
| • Finance Committee | January 5, 2023 | (Thu) |
| • Resource Mgt Committee | January 5, 2023 | (Thu) |
| • Program & Planning Committee | January 6, 2023 | (Fri) |
| • Full Board of Trustee | January 25-26, 2023 | (Wed, Thu) – Juneau |
| | | |
| • Audit & Risk Committee | April 19, 2023 | (Wed) |
| • Finance Committee | April 19, 2023 | (Wed) |
| • Resource Mgt Committee | April 19, 2023 | (Wed) |
| • Program & Planning Committee | April 20, 2023 | (Thu) |
| • Full Board of Trustee | May 24-25, 2023 | (Wed, Thu) – TBD |

Future Meeting Dates Statutory Advisory Boards (Updated – June 2022)

Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse

AMHB: <http://dhss.alaska.gov/amhb/Pages/default.aspx>

ABADA: <http://dhss.alaska.gov/abada/Pages/default.aspx>

Executive Director: Bev Schoonover, (907) 465-5114, bev.schoonover@alaska.gov

- Executive Committee – monthly via teleconference (Second Tuesday of the Month)
- Fall Meeting: October TBD / Fairbanks

Governor’s Council on Disabilities and Special Education

GCDSE: <http://dhss.alaska.gov/gcdse/Pages/default.aspx>

Acting Executive Director: Patrick Reinhart, (907)269-8990, patrick.reinhart@alaska.gov

- Fall Meeting: October 13-15, 2022 / Girdwood & via Webinar

Alaska Commission on Aging

ACO: <http://dhss.alaska.gov/acoa/Pages/default.aspx>

Executive Director: Jon Haghayeghi, (907) 465-4879, jon.haghayeghi@alaska.gov

- Fall Meeting: TBD

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

April 20, 2022

8:30 a.m.

WebEx Videoconference/Teleconference

Originating at:

**3745 Community Park Loop, Suite 120
Anchorage, Alaska**

Trustees Present:

Brent Fisher, Chair
John Sturgeon
Anita Halterman
Chris Cooke
Verne' Boerner
Rhonda Boyles
Kevin Fimon

Trust Staff Present:

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

Trust Land Office staff present:

Jusdi Warner
Sarah Morrison
David MacDonald
Marisol Miller
Hollie Chalup
Jeff Green
Becky Carpenter
Chandler Long

Also participating: Agnes Moran; Steve Center.

PROCEEDINGS

CALL TO ORDER

CHAIR FISHER called the meeting to order and began with a roll call. He moved to the agenda.

APPROVAL OF AGENDA

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

After the roll-call vote, the MOTION was APPROVED. (Trustee Boerner, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)

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

APPROVAL OF MINUTES

MOTION: A motion to approve the minutes from the previous meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

After the roll-call vote, the MOTION was APPROVED. (Trustee Boerner, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)

CHAIR FISHER introduced Agnes Moran, whose name was submitted as another member of the Board of Trustees at the Alaska Mental Health Trust Authority. He asked her to introduce herself.

MS. MORAN stated that she was born and raised in Ketchikan with a background in electrical engineering. In 2017, she took over Women in Safe Homes and has been working directly with Trust beneficiaries since that time. She continued that she is passionate about homelessness and chronic inebriates and anyone that has been subjected to violence. She added that she had been on the board of directors of First Bank since 2003 and has some fiduciary background. She was very excited to be here.

CHAIR FISHER thanked Ms. Moran and stated that it was nice to learn a bit about her, and he looked forward to getting to know more once everything goes through the process.

CEO FINANCE REPORT

CEO WILLIAMS stated that Carol Howarth had a personal emergency and Kat Roch would be filling in. He began the update and reflected on the fact that the two-year mark of the pandemic is coming up. Trustees have seen both the impacts to the operations of the Land office, as well as the Authority office. He highlighted the ability to adequately adjust and adapt with the ability to carry out the mission without missing a step. There is a more robust engagement with folks in Rural Alaska in many of the activities, focus areas and initiatives. The Zoom technology has allowed for that. The ability to adapt to the unanticipated pandemic with costs that were not built

into budgets caused the organization to contract and really try and focus on the immediate things. He stated that Julia Moriarty and Steve Center from Callan will present on asset allocation and the Trust's assets and how the trustees should view those assets. It will be positive and something that should be noted.

CHAIR FISHER noted that Trustee Boyles was present.

MS. ROCH stated that she is the budget controller. She walked the trustees through the dashboard, explaining and answering questions as she went along.

CEO WILLIAMS highlighted a few things for Agnes who was not familiar with the dashboard and provided a bit of a refresher for trustees. The Mental Health Trust Fund is the corpus of the Trust; that is the principal. Those are the funds that, by statute, have to be managed and are invested at the Alaska Permanent Fund. He commented on the reserve target and stated that they were 15 percent above the target.

MS. ROCH continued her presentation until it was finished.

CHAIR FISHER thanked Ms. Roch for stepping in at the last minute. He moved to the next agenda item.

ASSET ALLOCATION

CEO WILLIAMS introduced Steve Center and Julia Moriarty from Callan. He stated that one of the core responsibilities of the trustees and the Trust was to look at the asset allocation periodically, review it, and identify where there may be opportunities for change that would have the most impact for the beneficiaries currently and into the future. He continued that the Trust put out an RFP, and Callan was the successful contractor.

MR. CENTER thanked the trustees for trusting Callan with this project. He stated that he is an investment consultant with Callan. He has been with Callan for 12 years, and in the institutional investment consulting industry for just under 25 years. Callan is an investment consulting firm that works with just over three trillion in assets; primarily, with public pension plans, endowments, foundations, corporate pension plans and defined contribution plans. Callan helps institutional investors with things like asset allocation, manager selection and oversight. He continued that he has worked directly with the Permanent Fund for the last seven-plus years, and the Alaska Retirement Management Board for the last six years.

MS. MORIARTY stated that she co-managed the capital markets research group which conducts studies such as this for Callan's clients. She has been with the firm for 32 years; her first job out of college. This was her second trip to Anchorage. Her last time here was when she conducted the study about 10 years ago.

MR. CENTER began with a brief high-end summary of what the project entailed, and then talked about Callan's capital market expectations, how those are formulated, how they are used in all their projections; and how they are the engine that runs the simulations that have been conducted to analyze a couple of different asset allocation decisions, spending policy decisions, and things of that nature. Ms. Moriarty will talk about the assumptions that were used

underlying the Trust as a whole. He stated that Callan was retained by the Trust to look at inflation-proofing, the spending rate, reserve policies, the overall asset allocation within the Department of Revenue reserves portfolio, rebalancing policies, and the overall incorporation of the Trust Land assets into the asset allocation and spending work. He continued that all of the analysis is based upon fiscal year-end numbers, so that included about a \$9 billion overall balance. This is all based on June 30, 2021, data. He added that the Trust is made up of four primary investment buckets. The first is the corpus held at the Alaska Permanent Fund, the Department of Revenue reserve portfolio, the GeFONSI portfolio or the General Fund and other nonsegregated fund's portfolio, and then the assets held at the Trust Land Office. Callan conducts asset spending studies primarily for endowment funds, and the Trust is structured like a traditional endowment fund. The focus on these studies is to look at asset allocation, what dials can be turned from an asset allocation standpoint to change the risk/return profile of the investable assets, but also to look at decisions related to spending policies. The other thing looked at was investment policies. The goal is, No. 1, to maintain the corpus of the Trust on an inflation-adjusted basis; No. 2, benefit existing beneficiaries and future beneficiaries in a similar way. This is the concept of intergenerational equity. The goal in the study is to create an intergenerational equity spending policy where future beneficiaries are benefited as much as current beneficiaries, and vice versa. He continued his slide presentation, describing and answering questions as he went along. This goal is to invest or create a portfolio that is diversified across multiple asset classes with the hope of lower correlation around the various asset classes over time. He asked for any questions about Callan's capital market expectations and how they were derived. He asked Ms. Moriarty to continue and talk about the assumptions used for the Trust.

MS. MORIARTY reviewed the starting point for the analysis and the assumptions underlying the results. She talked about the schematic that gave an overview of how the Trust was structured and walked the trustees through it. She moved on to the current inflation-proofing structure, which used the same mechanics as the APFC: the corpus of the Trust is compared to an inflation-adjusted target to determine if the Trust is maintaining purchasing. The actual corpus of the Trust grows by TLO principal inflows and any inflation-proofing deposits. She stated that the recommendation is to attempt to identify a long-term asset allocation policy that meets spending, expenses and inflation, and to consider possibly moving to a simplified percentage of market value spend.

A brief discussion and explanation ensued which led back to inflation.

MS. MORIARTY explained the asset allocation policies for the three main funds along with their expected return and risk levels. She noted that while the APFC has the highest expected return, it also has the highest risk level. The only asset allocation where there is control is the DOR. She continued to the spending policy and then the projected principal and spendable income. She moved to the analysis and stated that the first is the spend rate. She looked at the Trust growth over the next 40 years and showed that it was projected to grow dramatically over that time. She illustrated the impact of inflation and continued the presentation.

CHAIR FISHER called a 15-minute break.

(Break.)

CHAIR FISHER called the meeting back to order and continued the great presentation from Callan. He stated his appreciation for all the detail and all the answers to questions from the members of the Board of Trustees.

MS. MORIARTY moved to asset allocation and stated that they were tasked with looking at the funds that were available at the DOR that are currently not being utilized. There is a refund, but given the commercial real estate portfolio and the real estate at APFC and the fact that REITs are in the equity indices it did not make sense to include it here. They did look at the impact of adding the Fidelity Tactical Bond Fund and added it at 20 percent of the fixed income allocation or 8.8 percent of the total fund. She then showed the resulting impact on assets and spending. There was a brief overview of the fund now used at ARMB. It provided a diversified exposure to the fixed income market. It is a very core-plus or opportunistic-type fund and seeks to outperform the aggregate index with a 3 to 6 percent volatility level. The team demonstrated success in generating alpha primarily through security selection and sector rotation. There has been consistency in the implementation process in generating excess returns. This would be recommended for inclusion as a suitable investment to a broad fixed-income portfolio. She went through the outcomes and came to the conclusion that it would be reasonable to include Fidelity in the fixed income portfolio at the DOR. She continued through her presentation.

MR. CENTER talked about rebalancing, which was another variable that was tweaked in the model. He added that there were many different ways to look at rebalancing, and he went through some of them. Selecting a rebalancing policy would have an impact in the long-term returns to the Trust as a whole. The final is called tactical asset allocation, which is thinking that you know what the best asset class is and you overinvest in that asset class. It is hard to do and not recommended. The recommendation is to have a strategic asset allocation and have a solid rebalancing policy. He recommended that the Trust consider moving to a range-based rebalancing policy with the caveat that the recommendation came from Callan.

A question-and-answer discussion ensued.

MS. HOWARTH elaborated on the question of the DOR appetite and found the recommendation of Callan very intriguing because they manage so many funds. It is not something that can be implemented quickly.

The discussion continued.

MR. CENTER moved to the recommendations related to land. The first is that they did not recommend incorporating the land assets into the asset allocations and spending framework. Most of the work in this report did not integrate the land outside of the income generation that the land assets generated. Also not included is the valuation of the real estate within the overall Trust. The second recommendation was that the Trust continues to work with Harvest, the third-party advisor, and in accordance with the Asset Management Policy Statement, to review the opportunities to sell the commercial real estate properties as they arise over time with the proceeds transferred to the Alaska Permanent Fund.

CEO WILLIAMS underscored the recommendation with the discussion around Harvest. He

reminded the trustees that was the reason Harvest was under contract on an annual basis, which will happen midsummer.

MR. CENTER stated that was the final recommendation from the study, and we have a summary of all of the observations and recommendations. He opened the floor up to questions about the recommendations that came out of the asset allocation and spending study.

A brief question-and-answer discussion ensued.

CHAIR FISHER stated his appreciation to for the presentation. He called a five-minute break.

(Break.)

CHAIR FISHER stated that all of the presenters were in place and asked all to take their seats. He asked Ms. Warner to introduce the presenters.

COMMERCIAL REAL ESTATE

MS. WARNER introduced David MacDonald, senior commercial real estate manager, and Marisol Miller, a commercial real estate asset manager. Mr. MacDonald would do the bulk of the presentation.

MR. MACDONALD began with a chart that showed 150 years of the equity markets and stated that it was the S&P composite index, which is about 90 percent of the U.S. capital markets on the equities side. He stated that Amber Oaks and North Park experienced vacancies through the pandemic. Amber Oaks is back up to 93 percent occupancy, and there are two new leases with two new prospective tenants which will take that to 100 percent. North Park was lagging behind, but it is a high-quality asset that had performed well historically and provided a good stable cash flow to the Trust. He provided a framework to the supply and demand for the office markets on a national basis. He continued his presentation to Austin, which is a unique market because of the exodus out of California, particularly Silicon Valley, and became a very strong financial center and tech hub. It is being called Silicon Hills. It is unique because there is no other market like it in the U.S. He continued his presentation, explaining as he went through the slides. He added that caution is the best key word to keep in mind as they go forward with the portfolio. He asked for any questions.

A brief question-and-answer discussion ensued.

MR. MACDONALD stated that the market is active right now, and we want to capitalize on that and not miss out on the opportunity.

CHAIR FISHER thanked him and called for a lunch break.

(Lunch break.)

CHAIR FISHER welcomed all back and moved to the next portion of the meeting which would be about motions. He began with the commercial real estate. He asked Ms. Warner to explain the two motions with regard to the commercial real estate.

CEO WILLIAMS recommended putting the first motion on the table, and then moving to the explanations.

MOTION: A motion that the Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the incremental building expenditures, totaling \$12,291,087 budgeted for the fiscal year 2023 to be paid by the property manager from rents, cash reserve, other income collected from the properties and the Central Facility Fund was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

MS. MILLER stated that every year the TLO presents the annual budget for both the commercial real estate and the program-related real estate budget to the Board for approval. She continued that the incremental spending included the capital and operating expenses for each of the assets in the commercial real estate and program-related investments. She went through the budget and explained as she went along.

CHAIR FISHER called the motion and the roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)

CHAIR FISHER moved to Motion No. 2.

MOTION: A motion that the Finance Committee recommends that the Trust Authority Board of Trustees approve funding and instruct the CFO to transfer up to \$31,311 to the third-party property manager, as requested by the TLO, for operating expenses and capital expenses for the noninvestment/program-related real estate and REMP real estate properties from the Central Facility Fund for the fiscal year 2023, which appropriation shall not lapse was made by TRUSTEE STURGEON; seconded by TRUSTEE BOYLES.

MS. MILLER stated that the Board previously created a Central Facility Fund as an avenue for assets that could not meet their financial requirements. The Trust Authority Building is inhabited by predominantly the Trust Authority and also program-related beneficiaries. The request is \$5,002 for the Trust Authority Building for operating expenses due to a shortfall. Also requested was \$26,300 for Amber Oaks, which was significantly impacted during COVID due to a loss of tenancy. There are reserves in the building, but we anticipated this shortfall as a one-time lease-up cost that will be included in this year's expenses.

CHAIR FISHER called the vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)

CHAIR FISHER moved to the next motion, the third-party real estate adviser budget.

MOTION: A motion that the Finance Committee recommends the Full Board of Trustees' approval authorizing the spending of \$265,000 from the Central Facility Fund for FY2023 independent third-party real estate advisory services was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

MS. HOWARTH gave a bit more historical background on the motion. When the legislative audit occurred there were three categories of options that were looked at for the commercial real estate. One was to transfer these assets into the Permanent Fund for management; another was to have it independently managed; thirdly was to have the Trust Land Office to continue managing the assets. The recommendation by the legislative auditors was to have an external third-party adviser involved in this, and that was an action that the Trust took. Harvest was awarded that contract at \$380,000 a year. It was subsequently reduced to \$295,000 in the second year, and is now at \$265,000.

CHAIR FISHER called the vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)

CHAIR FISHER moved to the Department of Revenue budget reserve asset allocation.

MOTION: A motion that the Finance Committee recommends that the Full Board of Trustees approve the following asset allocation for Budget Reserves managed by the State of Alaska Department of Revenue effective July 1, 2022: Asset allocation, broad U.S. equity target holding 43 percent, target range, plus or minus 5 percent; international equity target holding 26 percent target range, plus or minus 5 percent; core U.S. Fixed Income, 30 percent target holding, plus or minus 5 percent target range; cash equivalents, 1 percent, target range minus 1 percent over 2 percent was made by TRUSTEE BOYLES; seconded by TRUSTEE HALTERMAN.

MS. HOWARTH stated that Callan made some recommendations with regard to the asset allocation. One was to shift the equity holding up to 70 percent with regard to the DOR-managed budget reserves, and also to add into the fixed income the Fidelity Tactical Fund. The Department of Revenue has fiduciary responsibility and authority to make changes in asset allocation, but they prefer to ask clients for approval, which is why this motion is on the floor.

TRUSTEE BOYLES stated that she was conflicted on this and did not like seeing investments not be more cash strong. She liked the idea of keeping cash. She was going to vote against this because she was nervous about what the next 12 to 24 months would bring.

A brief discussion ensued

MR. SIKES clarified the cash equivalent number and rebalancing interests across State funds. He stated that the Mental Health Budget Reserve is the only fund that does not have a cash target. This would satisfy the rebalancing mechanism and expected the cash balance in the Budget Reserve to be closer to zero than one.

The discussion continued.

TRUSTEE BOYLES asked Ms. Howarth if she agreed with this move if it was her money.

MS. HOWARTH replied that she agreed on two factors: One was that Callan made the recommendation; and second, the Department of Revenue analyzed this and made their recommendation.

TRUSTEE BOERNER stated that she was comfortable with that, but also said that this is a recommendation to the Board, and we can still revisit it at the next meeting.

TRUSTEE COOKE concurred and stated that it was a Finance Committee recommendation and if approved would go to the Board at the next meeting in May. This would still allow time to be implemented by the Department as of July 1st or if, on reflection, the trustees thought that the matter deserved study, it could occur at a later time.

The discussion continued.

TRUSTEE BOYLES called the vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Fimon, yes; Trustee Cooke, yes; Trustee Boyles, no; Trustee Boerner, yes; Chair Fisher, yes.)

CHAIR FISHER stated that the motion passed and would go to the Board at the next meeting. He thanked all for the good discussion. He suggested that Trustee Boyles get together with Mr. Williams or Ms. Howarth and give them a list of things to be clarified. He moved to the next item, TADA transfer limit.

MOTION: A motion that the Finance Committee recommends the Full Board of Trustees authorize the CFO to periodically transfer the Trust Authority Development Account funds to the Mental Health Trust principal account managed by the Alaska Permanent Fund Corporation, maintaining a minimum balance of \$699,279 until the USFS land exchange is permanently closed. Thereafter, the balance may reach zero. This authorization does not lapse and was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

MS. HOWARTH stated that, since inception, the Trust Land Office would task principal income to do improvements on land. In 2019, the Asset Management Policy Statement was changed to say land improvements would come from the reserves or spendable income rather than principal income. At the beginning of the year, there were three legacy projects: Icy Cape '18; Icy Cape '19; and U.S. Forest Service land exchange. This is the TADA account, the Trust Authority Development Account, and is basically a throughput account where principal goes into that account for ultimate transfer to the Permanent Fund which is outside the Department of Revenue system. There is one project left, and that is the U.S. Forest Service land exchange project.

A brief discussion ensued.

CHAIR FISHER called the vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Fimon, yes; Trustee Cooke, yes; Trustee Boyles, yes; Trustee Boerner, yes; Chair Fisher, yes.)

CHAIR FISHER stated that was the last item for the agenda and asked for any other comments or questions.

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

After the roll-call vote, the MOTION was APPROVED. (Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Fimon, yes; Trustee Cooke, yes; Trustee Boerner, yes; Chair Fisher, yes.)

(Finance Committee meeting adjourned at 1:39 p.m.)



Trust

Alaska Mental Health Trust Authority



Packet Materials



AGENDA

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V. PORTFOLIO ACCOMPLISHMENTS AND CHALLENGES	45
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<ul style="list-style-type: none"> List of Source Documents AMHTA FY 2022 Cash Flow Report Existing Debt Summary Chart Benefits of FY2022 Re-financings & Future Re-financings Harvest IRS Tenancy Advisory Report AMHTA Real Estate Market Report Summaries 	

INTRODUCTION: HISTORY OF HARVEST CAPITAL ROLE

3

- The AMHTA implemented Callan's recommended changes to the Asset Management Policy Statement, including:
 - Hire an independent fiduciary real estate advisor.
 - Strategic Services/Investment/Portfolio & Asset Management Services to include strategic advice, valuations, hold-sell decision recommendations, performance measurement, asset management assistance, portfolio analysis, and be a resource to the Trust and the TLO.
 - The Advisor, following the standard advisory role model provides services to the Trust (joining the TLO also providing services to the Trust), and the advisor reports annually to the Finance Committee and BOT.
- Harvest Capital was selected by the AMHTA as the independent real estate advisor in October 2019, after Callan Associates, engaged by the AMHTA (and a 30-year advisor to Alaska Permanent Fund), solicited Harvest to participate in an RFP process.

HARVEST CAPITAL ADVISORY FIDUCIARY DUTY

4

AMHTA Mission Statement:

“It is the duty of the Alaska Mental Health Trust Authority to provide leadership in the advocacy, planning, implementing and funding of services and programs for Trust beneficiaries.

The Trust Land office protects and enhances the values of the Alaska Mental Health Trust Authority lands while maximizing revenues from those lands over time.”

Harvest Fiduciary Duty:

- *Advise, advocate, and protect the Trust to maximize the value of the Trust’s assets.*
- *Provide leadership in advocacy and planning, in order for AMHTA to maximize total return (cash flow & appreciation) for the funding of the Trust’s Programs.*
- *As an SEC registered investment advisor, fulfill the fiduciary duty we have to act in the Trust’s best interests, making recommendations determined to be in AMHTA’s best interests.*

HARVEST CAPITAL ADVISORY ROLE

5

Harvest Capital Partners LLC (“Harvest”) is an SEC registered Investment Advisor, with 35+ years of real estate experience, and has almost 15 years of experience advising institutional clients on directly held real estate investments with a real estate portfolio size in excess of over \$9 billion. Harvest provides Real Estate “Principal” consulting services to select pension fund and institutional clients, is registered with the SEC, and is certified as a Women Business Enterprise in the Commonwealth of Massachusetts. Services include:

- **Strategic Planning:** Allocation recommendations, attribution analysis, investment strategy and policy, risk/return objectives and correlations, real estate vehicles, performance management, customized research.
- **Portfolio Services:** Investment manager selection and management, allocation management, portfolio restructuring, real estate fund due diligence, leverage program strategy and implementation, performance benchmarking, industry research/analysis, investor advocacy, portfolio monitoring and reporting.
- **Asset/Property Services:** Acquisition and disposition analysis, asset evaluations, review of annual business plans, valuation analysis, restructuring troubled assets, renegotiating partnership agreements.
- **Investment Services:** Sourcing, negotiating, underwriting, due diligence, financing, and closing of direct investments in real estate; Experienced in all aspects of transactional management including negotiation of investment manager base fee and incentive fee agreements.
- **Specialized Services:** Joint Venture Partnership Investment Analysis/Negotiation and Oversight; M&A Services for Fund Operator acquisitions, Co-Investment Analysis; Programmatic JVs, Evaluation of Preferred Equity and Mezzanine Debt Vehicles; Sourcing of Direct Investments and potential operating partners; evaluation of REITs.

HARVEST CAPITAL ADVISORY ROLE

6



Erin O'Boyle

Erin O'Boyle is a Founder and Managing Partner of Harvest Capital Partners which focuses on advisory services to institutional clients, including LP strategy and LP execution to Public and Private Pension funds and institutions. Erin provides deep and implementable insights into LPs gathered through her experience working closely with family, public REIT, GP in private equity and LP advisory structures. This experience, blended with her Operational Leadership roles and Consulting and Advising with a variety of organizations, provides her with a unique, comprehensive perspective.

At Harvest Capital Erin consults and advises on Allocation, Benchmarking, Direct Investments, Separate Accounts, Fund investments, and Co-investments to a variety of organizations.

Prior to founding Harvest Capital Erin was founding Partner of Westport Point Capital Partners, a private equity real estate investment company in an exclusive JV investment platform with Prudential Real Estate Investors. Entity strategies included Value Add strategy and manufactured to core. She reported directly to the venture Board of Trustees providing her with deep insights into Board of Trustees decision-making processes.

Erin gained deep investment and operational expertise at Beacon Capital Partners (BCP), a real estate private equity firm and its predecessor company, Beacon Properties Corporation, a public REIT. Erin was a founding partner at BCP, where she served as the Chief Investment Officer and the Chair of the investment committee. In addition, Erin oversaw the firm's investment activities, including the raising and placement of \$3.5 billion raised through three private funds, and executed over \$3 billion in investments and over \$1 billion in dispositions. In addition, Erin held leadership positions in development, acquisitions, leasing, and asset management. Erin held fiduciary responsibilities at BCP and Westport Point Capital and was responsible for reporting to Investors and the Board of Trustees at Beacon Properties Corporation.

Erin is on the Advisory Board of private equity firm Regent Properties. Previously she served on the MIT Alumni Fund Board, where her work was recognized as the recipient of the Henry B. Kane Award for distinguished service to MIT. Additional board work includes the MIT Center for Real Estate Alumni Association (past chair), NAIOP, the Northeast Chapter of the Real Estate Investment Advisory Committee (REIAC), and the New England Women in Real Estate (Past President).

Erin received a B.S. in Structural Engineering from the University of Delaware where she graduated cum laude and was inducted into Tau Beta Pi, a national engineering Honor Society. She holds an M.S. in Real Estate from the Massachusetts Institute of Technology where she has been a guest lecturer.

Harvest Capital Partners is a Minority Women-Owned Business and an SEC-registered real estate advisory firm. Erin lives in Boston, Massachusetts.

HARVEST CAPITAL ADVISORY ROLE

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Iphigenia Demetriades

Iphigenia Demetriades is a consultant with over 35 years of real estate experience who provides investment advisory services to various real estate clients. Genia has a depth of experience in all property types including office, industrial, residential, and retail and in all facets of portfolio management, investment management, asset management, development, financing, dispositions, property management, and troubled asset management and workouts. She brings over 25 years of real estate advising institutional clients on directly held real estate investments with a real estate portfolio size in excess of over \$2 billion.

Past clients include Sun Life Financial, Hudson Realty Capital, Boston Community Capital, Gables Residential, Home for Little Wanderers, and Boston Residential Group.

Genia spent 17 years at AEW Capital Management, L.P. where she was a Senior Portfolio Manager for three separate account client funds totaling \$2B including a value-add fund invested in workforce housing which included new development and renovated projects, a core/core-plus fund invested in office, industrial, and retail property types and a value-add fund invested in all property types

Prior to AEW, Genia worked in Newport Beach and San Francisco for Mellon/McMahan Real Estate where she was a Vice President in Asset Management and managed a portfolio of 14 projects worth approximately \$530M and totaling approximately 5.2M square feet and 236 acres of undeveloped land. The projects included retail, suburban and downtown office, research and development, industrial and land in Seattle, Phoenix, Southern California and Northern California. She also worked at Cabot, Cabot, and Forbes as a Property Manager and Director of Leasing.

Genia earned a MBA from the Harvard Graduate School of Business and a B.A. in Economics, Biology, and Anthropology, *cum laude* from Wellesley College.

Genia is a past member of the Real Estate Finance Association (REFA) and CREW Boston, as well as past president of the Ellis South End Neighborhood Association. She is currently Vice Chair of the Back Bay Architectural Commission (a mayoral appointment) and Treasurer of the MA State Committee of the National Museum of Women in the Arts.

HARVEST CAPITAL ADVISORY ROLE

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**Joshua Kahr**

Joshua Kahr is the founder and principal of his company. He is a nationally recognized expert in real estate market analysis, finance, and investment. His primary responsibilities include managing the operations of his firm. Since he launched his business in 2002, he has completed the following assignments:

- Constructed numerous financial models for a wide range of real estate investments including condominiums, rental apartments, office buildings, industrial parks, and shopping centers. Examples include a \$200,000,000 three phase, mixed use transit-oriented development in Salt Lake City and a \$1,000,000,000 project in Bethesda, Maryland.
- Developed leading workshops including “Advanced Pro-forma Modeling with Excel” and one for Argus, the dominant real estate financial package for real estate analysis. Outside of the manufacturer of Argus, we are the only company that provides regular courses nationwide. Clients include business schools (U. Chicago, Wharton, and Harvard), investment firms (Credit Suisse, Blackstone, and General Electric), industry organizations (Urban Land Institute), and conference organizers (Terrapinn Financial). He has personally delivered these seminars throughout the United States and in foreign location such as Tokyo, Dubai, London, Hong Kong, and Singapore.

Ran over 30 two-day seminars for United States Environmental Protection Agency and affiliated State agency employees on how government officials could better work with the private sector to help redevelop environmentally contaminated properties. Analyzed inequalities in the tax assessment system for New York City’s commercial real estate. It concluded that properties were under-assessed by approximately 40% relative to the City’s own published guidelines. This study received significant local press; it took up half a page on page 2 of the New York Post, New York City’s largest circulation daily, on 12/3/2004.

- Produced feasibility study for support of ongoing litigation on the Atlantic Yards development in Brooklyn, NY.
- Created financial plan for the Port Authority of the City of Cleveland for the redevelopment of their port.

Josh is on the faculty at Columbia University as an adjunct professor. He has taught real estate finance and real estate capital markets in Columbia University’s MS in Real Estate Development program since 2005. He has also taught graduate courses as an adjunct professor at Georgetown, Northwestern, Auburn University, New York University, and the City University of New York. He is the author of the textbook, Real Estate Market Valuation and Analysis (John Wiley and Sons: 2005). He also wrote a book on the state of the housing market, Beyond the Bubble (Amacom Books: 2007). Josh has a Master of Science in Real Estate from New York University and a Bachelor of Arts in Economics from Reed College. He was on the Board of Directors for Monmouth Real Estate Investment (NYSE: MNR), a publicly-traded Real Estate Investment Trust, for six years.

HARVEST PORTFOLIO PERFORMANCE REPORT

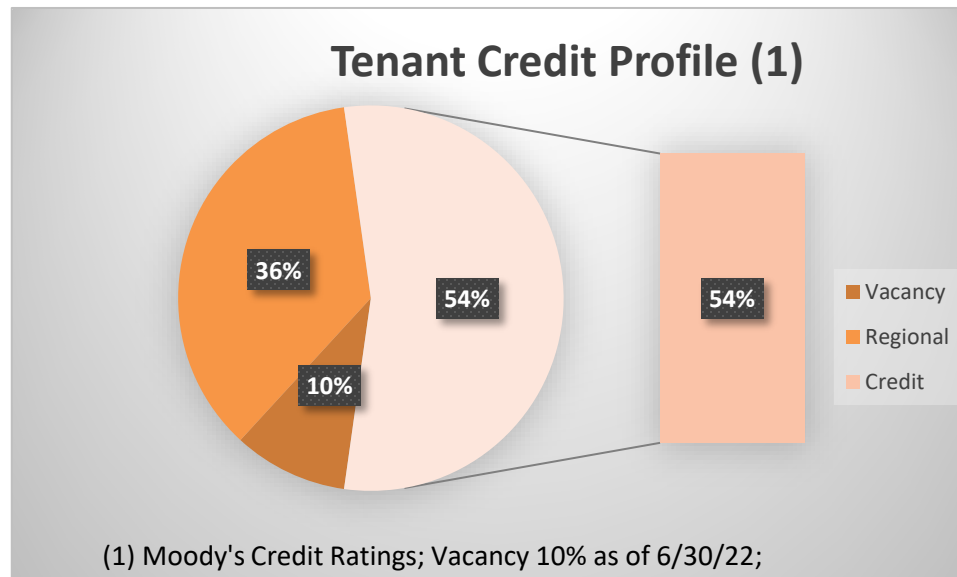
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PORTFOLIO SNAPSHOT	DESCRIPTION	EVALUATION
Asset Quality	Suburban Office & Industrial Properties	HIGH QUALITY
Tenancy	54% Credit Tenants 34% Regional Credit 10% Vacancy	STRONG CREDIT VACANCY DECREASING
Investment Characteristics	Income (Cash Flow) Appreciation Inflation Hedge Lacks full sector diversification	CF INCREASE IN FY 2023 PROVIDES BALANCE & DIVERSIFICATION TO APFC/DOR, BUT OFFICE
Risk Management	Lease Rollover 11% annually on average Debt Expirations staggered	WELL BALANCED
Benchmarked Performance	Annual returns compared to NCREIF	BELOW, EXCEED LONG TERM AVERAGE
Challenges	Recession, Inflation, debt rates increasing Lease Vacancy at North Park Promontory Point lack of tenancy occupancy/market challenge Prepare for post recession select sales	Reduced liquidity & values due to Recession & Interest Rate increases; Prune portfolio of challenging assets
OVERALL	GENERATING STRONG INCOME	GOOD PERFORMANCE

HARVEST PORTFOLIO PERFORMANCE REPORT

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- IMPORTANCE OF TENANT CREDIT IN PORTFOLIO CONSTRUCTION
 - Measures financial strength/surety of tenants to pay rent obligations.
 - Best: Rated Tenant Credit (Aaa, A2) rated by Rating Agencies.
 - Good: Regional Credit Tenants in the submarket that have operating longevity.
- CONCLUSION: AMHTA has excellent tenant credit with 54% RATED.



HARVEST PORTFOLIO PERFORMANCE REPORT

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■ LEASE ROLLOVER: WELL BALANCED PORTFOLIO CONSTRUCTION

- Portfolio Construction should strive for staggered lease expiration dates.
- Staggered lease expiration dates minimizes risk of significant required capital expenditures concentrated in a single year(s), and risk of large building vacancies at one time, causing diminished cash flow/deficits until space released.

■ CONCLUSION: Good balance, 11% average lease expirations annually (5 yr. avg).

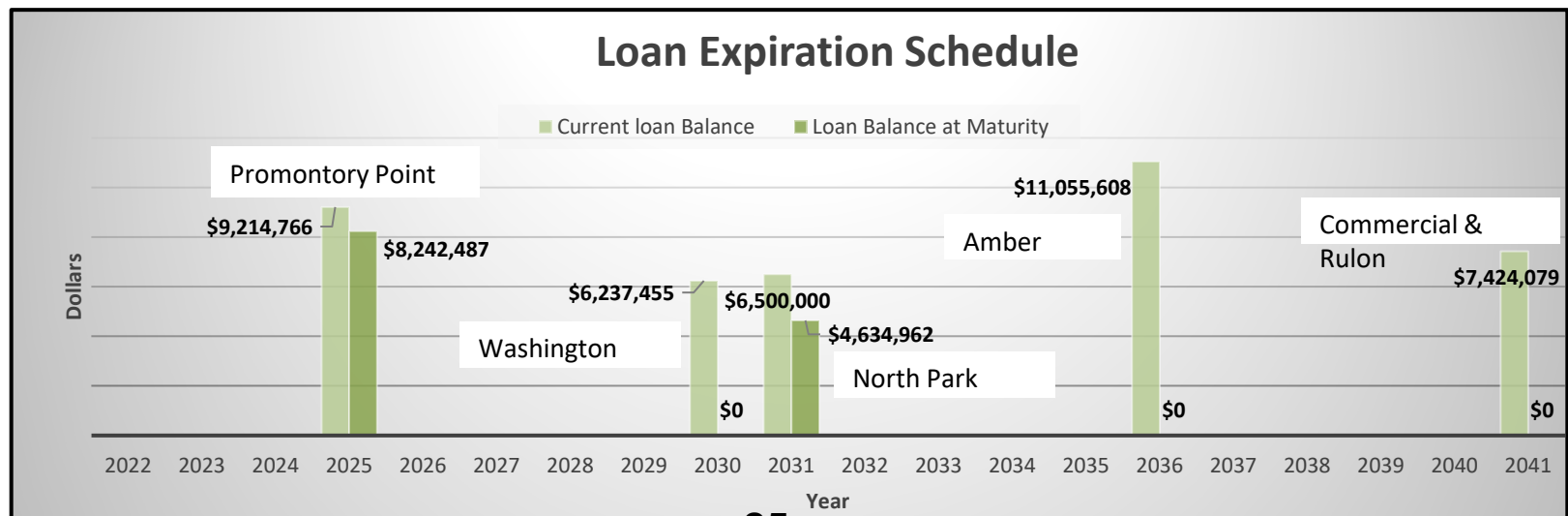
PORTFOLIO LEASE EXPIRATION For the Years Ending	Building SF	Year 1 Jun-23	Year 2 Jun-24	Year 3 Jun-25	Year 4 Jun-26	Year 5 Jun-27	Year 6 Jun-28	Year 7 Jun-29	Year 8 Jun-30	Year 9 Jun-31	Year 10 Jun-32
Total SF Expiring	486,182	6,136	64,381	144,613	38,921	1,660	34,165	100,000	34,920	-	14,776
Percent of Total Portfolio SF Expiring		1.3%	13.2%	29.7%	8.0%	0.3%	7.0%	20.6%	7.2%	0.0%	3.0%
Property											
		5 Year Total					52.6%				
		Total/Year					11%				
	Washington Parks	52,510	-	46,857	-	5,653	-	-	-	-	-
	1973 N. Rulon	100,000	-	-	-	-	-	100,000	-	-	-
	Promontory Point	97,102	-	-	97,102	-	-	-	-	-	-
	Amber Oaks	106,832	3,095	7,124	20,511	-	1,660	26,813	-	34,920	-
	North Park	86,401	-	-	27,000	18,148	-	7,352	-	-	-
	Commercial Drive	15,120	-	-	-	15,120	-	-	-	-	-
	2600 Cordova	28,217	3,041	10,400	-	-	-	-	-	-	14,776

HARVEST PORTFOLIO PERFORMANCE REPORT

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- DEBT EXPIRATIONS: WELL BALANCED PORTFOLIO CONSTRUCTION
 - Staggered debt expiration dates are a best practice in Portfolio Construction.
 - 3 assets with above market interest rate debt refinanced on a single asset basis, additional opportunity to refinance the balance of the portfolio.
 - Leverage benefits real estate by amplifying returns and increasing cash flow.

- CONCLUSION: Best Practices for debt expirations being followed.



HARVEST PORTFOLIO PERFORMANCE REPORT

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- MODERATE VALUATION INCREASES DUE TO LEASING AND MARKET RENT INCREASES
 - Note: Washington Parks appraiser did not include impact of lease rollover.
 - Market Rent increases (except North Park) offset valuation metric increases.
 - Valuation Discount Rate/Cap Rate ⁽¹⁾ increased due to increased interest rates.
- CONCLUSION: Solid values, moderate increases, in-spite of capital market headwinds.

Property (1)	Harvest Valuation FY 2021	Harvest Valuation FY 2022	AMHTA's Most Recent External Appraisal
Washington Parks, Tumwater, WA	\$13,800,000 (\$263 PSF)	\$13,700,000 (\$261 PSF)	\$18,860,000 (\$359 PSF, 6/20)
1973 N Rulon, Ogden, UT	\$19,900,000 (\$199 PSF)	\$19,800,000 (\$199 PSF)	\$19,500,000 (\$195 PSF, 9/21)
Amber Oaks, Austin, TX	\$27,000,000 (\$253 PSF)	\$31,900,000 (\$308 PSF)	\$31,300,000 (\$305 PSF, 6/22)
Promontory Pt. Austin, TX	\$17,000,000 (\$176 PSF)	\$17,000,000 (\$176 PSF)	\$15,500,000 (\$165 PSF, 6/20)
North Park, San Antonio, TX	\$14,600,000 (\$169 PSF)	\$14,900,000 (\$172 PSF)	\$15,400,000 (\$178 PSF, 8/21)
2600 Cordova, Anchorage, AK	\$3,200,000 (\$112 PSF)	\$3,800,000 (\$133 PSF)	\$4,100,000 (\$145 PSF, 6/20)
Commercial Drive, Anchorage AK	\$3,100,000 (\$207 PSF)	\$3,600,000 (\$241 PSF)	\$2,800,000 (\$186 PSF, 6/22)
TOTAL	\$98,800,000 (\$203 PSF)	\$104,800,000 (\$215 PSF)	\$107,460,000 (\$220 PSF)

(1) Cap rate is defined as Net Operating Income divided by the Purchase Price or Valuation. All Valuations have been rounded to the \$000,000s. (1) The square footages in some properties have been increased due to remeasurement or correction: Amber Oaks (106,499 to 106,832) Promontory Point (93,786 to 97,102) and Cordova (27,322 to 28,217).

HARVEST PORTFOLIO PERFORMANCE REPORT

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■ FY 2022 SUMMARY PERFORMANCE

- Trust has durable income with \$715,000 available for distribution.
- Decrease of \$1.3 million from FY2021 due to Amber Oaks leasing activity.

■ CONCLUSION: Solid performance, should trend up in FY2023.

Summary: Market Value and Trend of Available for Distribution

	FY 2022	FY 2021
Harvest Net Market Asset Value 6/30	\$66.1 million	\$58.7 million
Number of Real Direct Property Interests	7	7
Harvest Valuations	\$104,797,000	\$98,800,000
Less: Outstanding Debt 6/30	\$38,690,000	\$40,092,000
Harvest Net Market Value 6/30	\$66,107,000	\$58,716,000
Total FY Available for Distribution ⁽¹⁾	\$ 715,000	\$2,111,000
<i>Total Distributed to the Trust after property reserves (2)</i>	<i>\$1,582,364</i>	<i>\$1,367,200</i>
(1) Per June 2022 financial statements provided by TLO, from property management reports. (2) Per the June 30, 2022 TLO monthly report, and TLO quarterly report.		

HARVEST PORTFOLIO PERFORMANCE REPORT

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■ BENCHMARK PERFORMANCE

- FY 2022 CRE exceeds strong performance of FY 2021.
- The strong income return component is excellent.
- Benchmark calculation is based upon Available NOI/Cash Flow for Distribution.

■ CONCLUSION: AMHTA CRE performance lags NCREIF benchmark (1187 basis points) because NCREIF's Industrial sector performance is driving the index.

BENCHMARK SNAPSHOT Year ended June:	FY 2022 NCREIF*	FY 2022 AMHTA Portfolio	FY 2021 AMHTA Portfolio
Net Income Return **	4.20%	5.18%	6.68%
Capital Appreciation***	17.20%	4.85%	1.83%
Total Net Return****	21.90%	10.03%	8.51%

*NCREIF for year ending 3/31/21; NCREIF as an Index lags by one Quarter; ** Calculation per NCREIF: $NOI / (Market Value + 1/2 Cap Ex - 1/3 NOI)$. NCREIF Overall index utilized.

***Calculation per NCREIF: $(Ending Market Value - Beginning Market Value - Cap. Exp.) / (Beginning Market Value + 1/2 Cap Ex - 1/3 NOI)$.

HARVEST PORTFOLIO PERFORMANCE REPORT

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- BENCHMARK PERFORMANCE COMPARED TO NCREIF SECTOR PERFORMANCE
 - AMTHA performance below NCREIF, but consistent with 20-year NCREIF average.

FY2022 NCREIF Return Components	Industrial	Apartment	Retail	Office	FY 2022 AMHTA Portfolio
Income	21.9%	3.8%	4.9%	4.4%	5.18%
Appreciation	17.2%	19.8%	2.1%	2.3%	4.85%
Total	51.9%	24.1%	7.1%	6.8%	10.03%

NCREIF Total Return 20 yr. Averages	11.9%	8.7%	8.7%	7.4%
NCREIF 20 yr. Total	8.9%			

HARVEST PORTFOLIO PERFORMANCE REPORT

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■ NCREIF BENCHMARK: COMPOSITION VS AMHTA PORTFOLIO

- The NCREIF Benchmark is a sector and geographically diversified index comprised (by value) of 40% office, 21% industrial, 20% apartments, and 19% retail.
- CRE Managers actively adjust portfolio composition and sector weighting annually to exceed the NCREIF Benchmark. AMHTA does not have that flexibility.
- AMHTA portfolio does not reflect the NCREIF Index, as it is not sector diversified (97% office, 3% industrial) and not fully geographically diversified.

■ CONCLUSION: AMHTA Portfolio FY 2022 exceeds NCREIF Office by 323 bps. Consider revision of AMPS to also benchmark to NCREIF Office.

FY2022 NCREIF Return Components	Office	FY 2022 AMHTA Portfolio
Income	4.4%	5.18%
Appreciation	2.3%	4.85%
Total	6.8%	10.03%

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HARVEST PORTFOLIO PERFORMANCE REPORT

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- BENCHMARK PERFORMANCE NET OF FEES
- CONCLUSION: AMHTA strong income + appreciation returns provides balance and inflation hedge. Net of fees is attractive, exceeds APFC⁽²⁾.

Metric Comparison Net of Fees/Overhead				
FY 2022	AMHTA ⁽¹⁾ Net of Fees	APFC ⁽²⁾ Net of Fees	NCREIF ⁽³⁾ Gross of Fees	AMHTA Gross of Fees
Income	4.61%		4.20%	5.18%
Appreciation	4.84%		17.20%	4.85%
Total	9.45%	2.95%	21.90%	10.04%

(1) AMHTA Property Financial Projections utilized are from July 1, 2021 to June 30, 2022, and Harvest Advisory Fee and TLO overhead deducted. (2) APFC 1 year returns for the month ending 5.31.22, net of fees. (3) NCREIF Annual NPI Index for the quarter ending 3/31/22; NCREIF is reported Gross of Fees.

HARVEST PORTFOLIO PERFORMANCE REPORT

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- MAJOR FY2022 ACCOMPLISHMENT: REFINANCINGS
- HARVEST ADVISORY RECOMMENDATION (4/20)
 - Refinance the portfolio with market rate debt (conservatively 3-3.5%).
 - BOT Approves Refinancing Motion by AMHTA.
- RESULT: TLO Refinanced 3 Assets and will add \$5.2 million of Cash Flow to the Trust over 10 years.
- FUTURE FINANCINGS OPPORTUNITY
 - Refinance Washington Parks (in 2024 after lease renewal) and save an additional \$5 million+/- over 10 years.
- TOTAL POTENTIAL SAVINGS: \$10 MILLION+/- OVER 10 YEARS (Slide 56).
- MAJOR LONG TERM PERFORMANCE ENHANCEMENT

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ WEAK GDP GROWTH, INFLATION, POSSIBLE STAGFLATION

■ WEAK GLOBAL GDP GROWTH

- Global growth projected 2.9% in 2022; 2.2% in 2023.
- Russia's invasion of Ukraine disrupts activity, investment, and trade while governments and central banks withdraw stimulus to counter inflation.

■ ELEVATED INFLATION

- Global inflation is projected at 6.7%, more than 2x the 10-year average of 2.9%.
- Commodity markets rattled, exacerbating supply-side shocks from the Ukraine war.
- Disrupted exports of crude oil, natural gas, grains, fertilizer and metals, pushing up energy, food and commodity prices.

■ PERIOD OF STAGFLATION POSSIBLE

- High inflation, weak GDP growth a parallel to 1970's stagflation.
- Similarities include supply side disturbances, weakening growth, and monetary policy tightening. Differences include stronger dollar, decreased oil prices, and stronger balance sheets at major financial institutions.

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

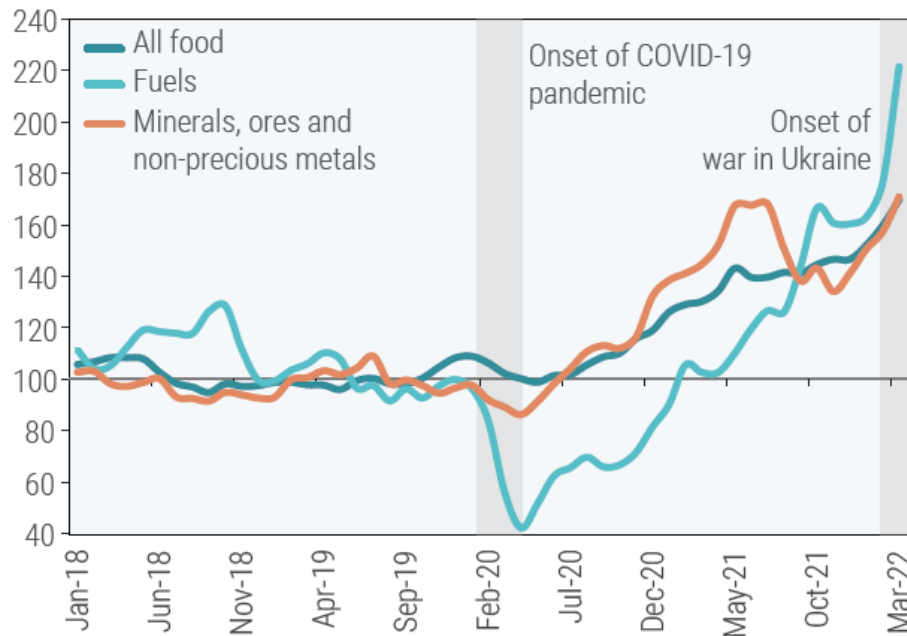
21

■ SURGE IN GLOBAL COMMODITY PRICES

Figure 2

Major commodity prices, January 2018 to March 2022

Index, 2019=100



Source: UNCTAD.

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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- US ECONOMY - RECESSION PROBABILITY PROJECTED 28% BY WSJ
 - INTEREST RATES INCREASES BY FEDERAL RESERVE
 - Aggressive Pace: Interest rates raised 75 bps in June 2022; another 75 bps increase is expected in July 2022.
 - Rate hike intent is to stamp out inflation and to restore price stability, viewed as priority even if it pushes the economy into a recession.
 - HIGHEST INFLATION IN 40 YEARS
 - 9.1% CPI growth in June 2022.
 - US Treasury cites global reasons - disruption in energy supply, the war in Ukraine, and less goods from China where Covid-related lockdowns continue.
 - STRONG JOB GROWTH, LOW UNEMPLOYMENT, DECLINING GDP GROWTH
 - 372,000 jobs added in June 2022; 3.6% unemployment; GDP (-1.6%) 1Q22%; (.7%) projected 2Q22 – close to 2 consecutive quarters of decline.

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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- US REAL ESTATE WAS IN RECOVERY MODE, NOW NEW HEADWINDS
 - TOTAL RETURNS VARY BY SECTOR ⁽¹⁾
 - Total return led by outsized Industrial (51.9%) and Apartment (24.1%) returns; Office (6.8%) and Retail (7.1%) improved returns.
 - Office income protected in a downturn by contractual lease terms, and Apartments with short leases have earlier rent decline but then recovery.
 - INTEREST RATE INCREASES HAS IMMEDIATE NEGATIVE IMPACT
 - Cap Rates Increasing. Liquidity decreasing. Not a great time to sell.
 - NEW SUPPLY AND RENT GROWTH VARIES BY SECTOR⁽²⁾
 - Apartment demand outstripping supply, 4.8% rent growth.
 - Industrial supply chain problems no match for demand, 4.5% rent growth.
 - Office recovery absorbing supply, flat rent growth; Retail rent growth 2.2%.

(1) NCREIF annualized for Quarter ending 1Q22; (2) JBS Real Estate Outlook May 2022.

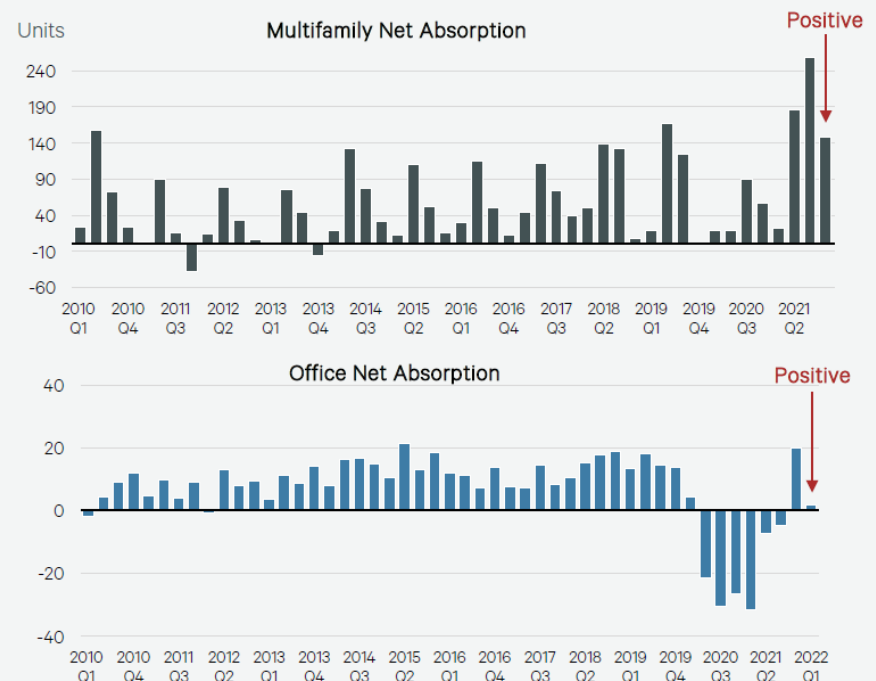
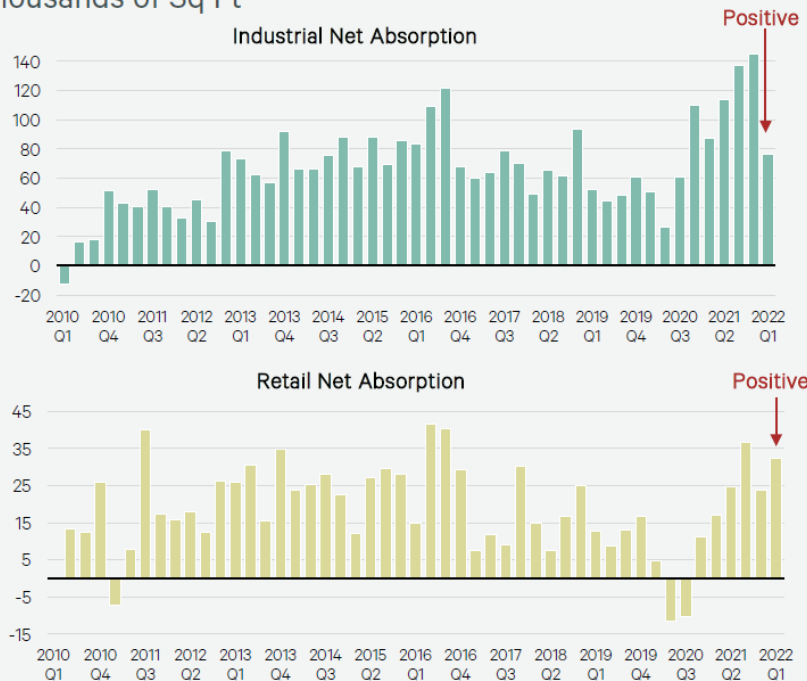
ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ TRENDLINE: RECOVERY OF REAL ESTATE ABSORPTION BY SECTOR

U.S. Net Absorption by Sector

Thousands of Sq Ft



Source: CBRE Econometric Advisors, CBRE Research, Q3 2021

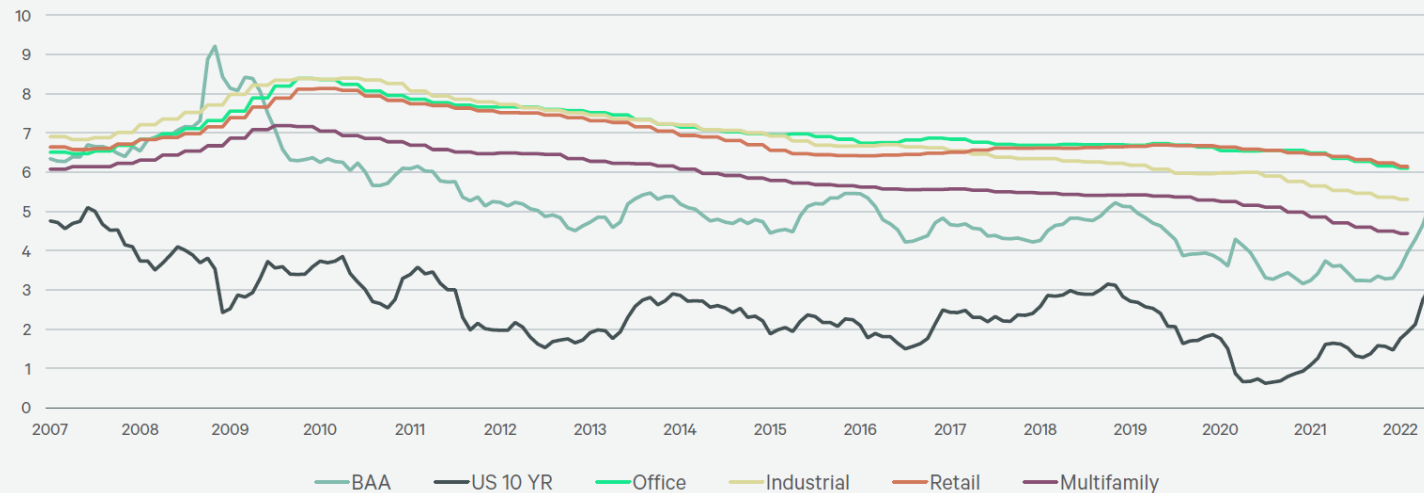
ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ TRENDLINE: LENDER SPREADS OVER TREASURIES HAVE NARROWED

- Office 250bps + over 10-year Treasuries.
- Multifamily 125bps over 10-year Treasuries.
- Industrial 100 bps to 200 bps depending on property type in sector.

Treasury yields, BAA Corporate bond yields, U.S. Cap Rates



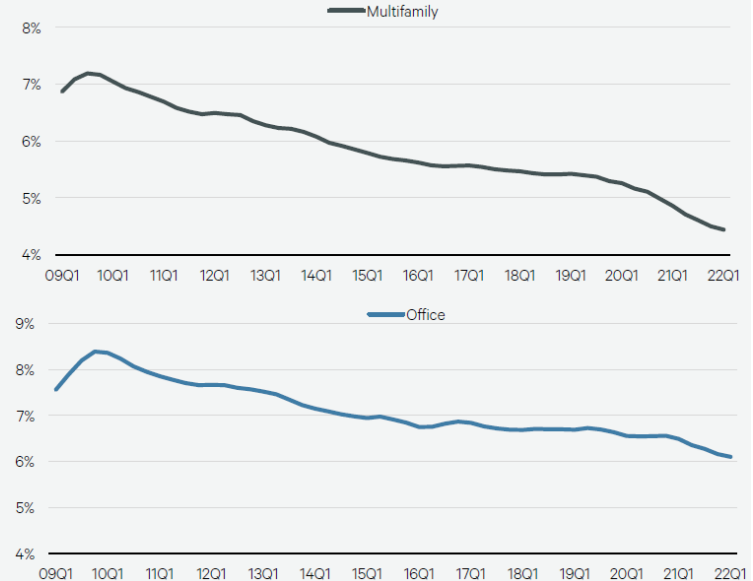
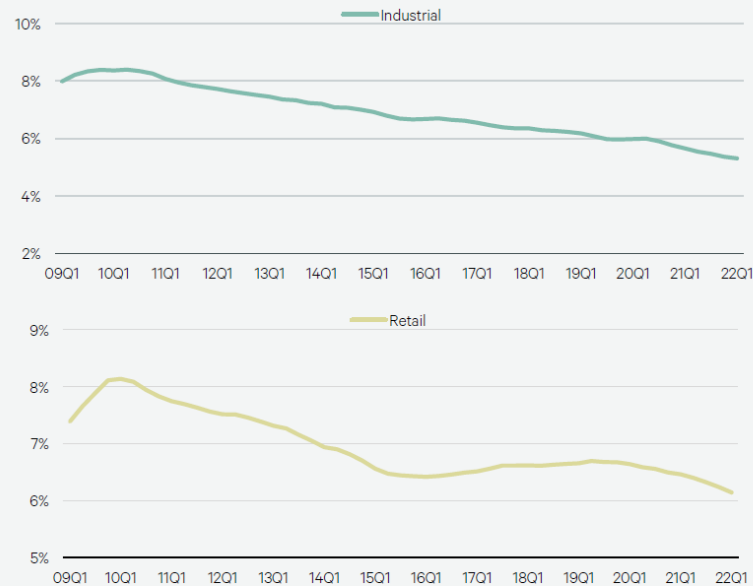
Note: RCA cap rates encompass all properties in the sector
Source: FRED, RCA, CBRE Research Q1 2022

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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- TRENDLINE: CAP RATES HAVE GONE UP – TRANSACTION DATA COMING SOON!
 - Cap rates increasing 50 bps to 200 bps in response to interest rate increases.
 - Translates directly into higher cap rates for buildings being sold, value decreases, LIQUIDITY IMPACT.

National Cap Rates by Sector, Percent



Source: CBRE Research, RCA Q1 2022.

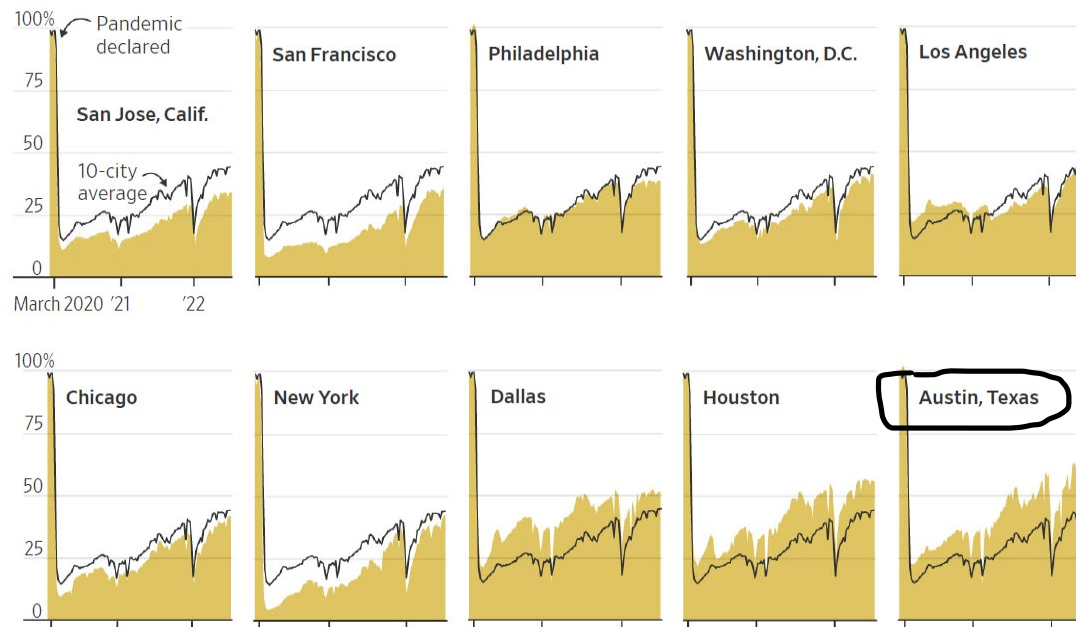
ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ TRENDLINE: OFFICE OCCUPANCY INCREASING

- Black Line represents 'average of 10 markets listed'; Yellow color represents submarket office occupancy rate.

Office occupancy rate by metropolitan area



Note: Data based on swipes at buildings using Kastle Systems access control
 Source: Kastle Systems
 Ming Li/THE WALL STREET JOURNAL

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ SECTOR PERFORMANCE RANKING: BEST TO WORST PERFORMING

■ INDUSTRIAL

- Sector continues to outperform all others; availability at 4.8%.
- Availability is now 450 bps below 30-yr historical average of 9.3%. The West and East vacancy rates remain lowest at 2.4% and 3.0%.
- 1Q22 demand exceeds new supply (76 MSF vs. 69M SF).
- 21% of all investment sales (2021).
- Increasing inflation, labor and material shortages, and rising debt costs have reduced new construction, resulting in less supply and rising rents.
- Amazon's slowed leasing pace, but 'Just-In-Case Inventory' and manufacturing providing a counterbalance.
- **Investment Markets: Remains most favored, supply can't keep pace with demand, NOI increases have offset interest rate increases thereby keeping values high.**

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ MULTIFAMILY

- Apartment vacancy is 2.3% (1Q22), lower than the 5% historical average.
- New supply of 66K units in 1Q2022, absorption of 96K units in 1Q2022.
- Record increase of rents 15.5% year over year.
- Young adults who returned home during the pandemic have begun to reverse course and establish their own households.
- Urban markets reversing lagging trend, NYC, Houston, and San Francisco experiencing large vacancy contractions.
- 43% of all investment sales (2021).
- Cap rates stabilizing at 4.0%+, reflecting interest rate increases but strong investor competition for the property type continues.
- **Investment Outlook: Strong, demand for multifamily continues, cap rates stabilizing and NOI growing.**
- *Consider impact of this general apartment trend to beneficiaries in Alaska!*

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ OFFICE

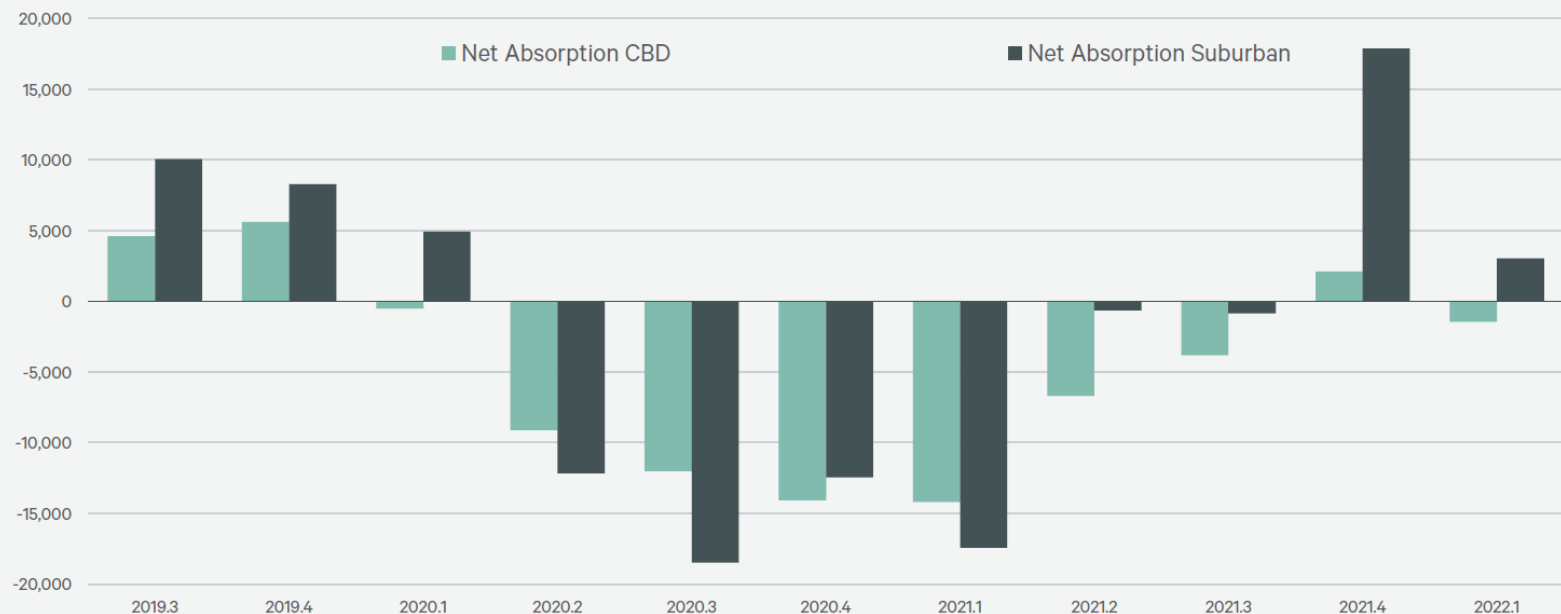
- High vacancy rate at 17.5%; Sublease space dropped 7.6% from 2Q2021 peak.
- Steady but slow national office occupancy at 42% in 1Q22 vs 18% in 4Q2021.
- Suburban office recovering faster, but Central Business Districts (CBDs) lagging less.
- Record new supply delivery of 96M SF still 24% above 10-yr. average.
- Rents declined 13% since peak 2Q2020 but are expected to stabilize.
- 18% of all investment sales (2021).
- Leasing velocity improving, 80% of 2019. Net absorption positive in West and South.
- Cap rates increasing to 6%+ due to interest rate hikes, investors favor Class A product.
- **Investment Outlook: Out of favor, cap rates increasing, only distressed Sellers selling at low point in asset valuations and low point in cycle.**

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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Suburban Markets Have Rebounded More Strongly Than CBD

Net Absorption CBD vs Suburban (SF x 1000)



Source: CBRE Research, May 2022.

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ RETAIL

- Retail starting to recover, but progress is sector specific.
- Overall vacancy 5.3%, a decrease of 120 bps from a year ago.
- Net deliveries of 5.3 M SF second lowest quarter in retail history.
- Power Centers performance improving, availability down to 6.1%, rents at record high of \$24.79 PSF.
- Lifestyle & Malls, more challenged, improved availability to 6.1%, and 5.8M SF absorption in 1Q2022, highest in 10-years.
- Grocery anchored retail remains solid, with healthy NOIs and investor appetite for this sector.
- E-commerce retail is part of Industrial Logistics space as the sector change continues.
- **Investment Outlook: Still out of favor, Malls & Lifestyle challenging.**

ECONOMIC AND REAL ESTATE MARKET OVERVIEW

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■ SNAPSHOT OF 2Q22 MARKET CONDITIONS WHERE ASSETS LOCATED

PROPERTY MARKET REPORT WHERE ASSETS LOCATED ⁽¹⁾							
KEY METRIC (000's SF)	Olympia WA (Wash Parks)	Ogden UT (N Rulon)	Austin, TX (Promontory Point)	Austin, TX (Amber Oaks)	San Antonio TX (North Park)	Anchorage Industrial (Comm. Dr)	Anchorage Office (Cordova)
Sector	Office	Industrial	Office	Office	Office	Industrial	Office
Sub-Market size (SF)	1,948,000	58,301,495	2,862,459	16,785,820	10,308,830	1,684,236	5,713,092
Overall Market Vac %	2.5%	2.5%	21.1%	21.1%	22.4%	2.2%	5.6%
Submarket Vac. %	.7%	1.4%	32.7%	17.3%	18.5%	2.6%	7.7%
Net Absorption	15,870	757,000	(96,249)	(62,158)	140,313	(16,000)	25,400
Sub-Market Under Construct.	0	1,981,000	424,367	681,000	97,682	0	0
Asking Rent \$/SF	\$22.98	\$7.46	\$31.98	\$40.86	\$25.29	\$18.57	\$29.91
Market Condition	Very Good	Good	Challenge	Good	High Challenge	Very Good	Stable

(1) Market data Cushman & Wakefield, CBRE 2Q22; CoStar June 2022.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ WHAT IS A HOLD SELL ANALYSIS DEFINITIONALLY?

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- Recommended Sale or Action in the next 12 months.
- Action to achieve superior risk adjusted returns going forward.
- Factors real estate markets liquidity or non-liquidity.
- Revisited and revised annually.
- Prudent and Strategic – avoid fire sale actions.
- Achieve intrinsic value in a Sale.
- Role of Durable Income.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ HOLD SELL CHECKLIST


- *Can any asset NOT be sold because existing debt does not allow prepayment?*

 **Amber Oaks; All others can be sold with prepayment penalties. Also, all loans can be transferred on sale, but at unattractive dilutive terms to Buyers.**

- *Are any assets illiquid due high vacancy/lease rollover?*

 **North Park and Washington Parks.**

- *Where is the asset value in the real estate cycle? Cap rates increasing.*

 **All asset values are below intrinsic value** due to being at the bottom of the real estate cycle (including increasing cap rates and/or asset conditions).

- *Where will the asset values or liquidity be in the real estate cycle in 12-24 months?*

 **Liquidity & values will increase closer to intrinsic value** due to economic recovery.

- *Are any assets valued above replacement (unattractive Buyer criteria)?*

 **No.**

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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- ASSETS VALUATIONS WELL BELOW REPLACEMENT COST & ROOM TO APPRECIATE
 - How does the valuation compare to replacement cost? Buyers often do not want to buy existing building at a price above replacement cost. Asset valuations well below replacement cost.
 - Owners can achieve 80% - 90%+ replacement cost valuation in a well executed asset sale. AMHTA has more residual value to harvest before an asset sale.

Sale Analysis	Harvest Valuation PSF	Replacement Cost	Valuation as % Replacement Cost	Potential Value Increase above Harvest Valuation to be at 90% Replacement cost*
Wash Parks	\$256.00	\$500.00	51%	\$19 million/\$194 PSF
N Rulon	\$199.00	\$335.00	59%	\$10 million/\$103 PSF
Promontory Pt.	\$176.00	\$325.00	54%	\$11 million/\$117 PSF
Amber Oaks	\$308.00	\$425.00	72%	\$8 million/\$ 75 PSF
North Park	\$172.00	\$260.00	66%	\$5 million/\$62 PSF
Comm. Drive	\$241.00	\$340.00	71%	\$1 million/\$65 PSF
Cordova	\$133.00	\$403.00	33%	\$6 million/\$230 PSF

* Sellers will typically acquire assets up to a % discount to replacement cost (90%); Note that this metric does not conclude 90% replacement cost can be achieved in a sale. A lot depends on achieving rent increases to be at replacement cost and capital market conditions. However, it is a commonly used metric to frame the possible potential run up in value 'outer limit' in an asset sale analysis especially as it relates to timing.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ WHERE IS THE DURABLE INCOME COMING FROM?

ASSET	Annual (FY 21 and FY 22 Average)	% of Cash Flow Distributions
Rulon	\$750K	48%
Promontory Point	\$300K	19%
Wash Parks	\$215K	14%
Commercial Drive	\$150K	10%
Cordova	\$150K	10%
Amber Oaks	N/A - leasing	
North Park	N/A - leasing	

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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Asset Ranking	Durable Income?	Market Condition	Asset Condition	Real Estate Cycle	Liquidity or Value change in 12-24 mo.	Hold/Sell (12 mo.)
Top Tier						
Amber Oaks	In Process	Good	Good	Bottom	↑	Hold
Wash Parks	✓ +	Good	Rollover	Bottom	↑	Hold
Rulon (1)	✓ +	Good	Good	Bottom	↑	Hold
Commercial	✓ +	Good	Good	Bottom	↑	Hold
Middle Tier						
Cordova	✓	Stable	Moderate	Bottom	↑	Hold
Bottom Tier						
Promontory Point	✓	Challenge	Tenant not occupying 1 building	Bottom	↑	Hold, prepare sale
North Park	No	High Challenge	High Vacancy	Bottom	↑ only if leased	Hold, prepare sale

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(1) See Rulon Hold Analysis and IRS Lease Renewal Analysis in the Appendix.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ HARVEST RULON HOLD-SELL CONCLUSION: HOLD

■ Asset History

- Rulon acquired in March 2013. Cap Rate was 7.2%.
- Hold Period was 20 years to benefit from cash flow.
- IRS has occupied since 2002. The lease is long term, with additional long term extensions options.

■ Income Considerations: HOLD Advantageous

- Durable Income: Rulon provides 50% of the CRE annual income to the Trust.
- Reinvestment of Net Sales Proceeds through DOR/APFC reduces Durable Income ⁽¹⁾.

■ Investment Analysis: HOLD Advantageous

- Investment Sale market: weak, out of favor.
- Gross Sales Proceeds estimated between \$20 million to \$26 million depending on sales date. Can achieve more proceeds above 2023 value of \$20 million.
- IRS Lease provides Unique Future Risk Protection: Future cap rates could increase up to 8% (2032) and Present Value of proceeds equals sale in 2023.⁽²⁾

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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- PRUNE PORTFOLIO: PREPARE FOR SELECT ASSET SALES IN MEDIUM TERM
 - Assets identified with weaker investment performance characteristics going forward.
 - Best Practice: Prepare sell recommendation(s) with **minimum floor price(s)**.
 - Prepare advance property due diligence – an offensive tactic to avoid re-trades.
- NORTHPARK
 - Complete lease up.
 - Sales timing: Sell when stabilized but act opportunistically to capital markets.
- PROMONTORY POINT
 - Support sublease of vacant building. Occupancy important to sell the asset.
 - Implement dual strategy for sale and refinancing in advance of lease expirations and debt expiration.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ REINVESTMENT CONSIDERATIONS FOR BALANCE

- Proceeds from an asset sale would be initially re-invested in the Trust's accounts of either the APFC or the DOR.
- APFC FY 21 Asset Allocation is currently: 38% Public Equity (stocks), 20% Fixed Income (bonds), 16% Private Equity, 8% Real Estate, 9% Private Income, 6% Absolute Return and 3% Risk Parity/Cash.
- APFC Fund investment objective is defined by an Investment Risk Tolerance Policy of 80% Equity/20% Bonds, to provide long-term strong returns, and in the short term can have volatile returns, as measured by the Value at Risk (VaR): 1 standard deviation, using 10-year data, and Drawdown (GFC 2007-2009).

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ REINVESTMENT CONSIDERATIONS FOR BALANCE (CON'T)

- DOR 5.6% 10-year returns, with a 12.42% standard deviation and probability of loss of 29.3% (1 year).
- APFC 7% long term rate of return with a 18.8% standard deviation (in FY 2022). Growth strategy can produce highs and lows (-17.5% to 29% over the last 12 years).
- APFC long term performance goal is CPI plus 5%.
- AMHTA Investment Portfolio Construction Considerations: Consider that in addition to being an inflation hedge, the CRE Portfolio provides durable income as we enter an economic downturn impacting Public Equities + Private Income, and APFC works toward full real estate allocation.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ REINVESTMENT CONSIDERATIONS FOR BALANCE (CON'T)

- The Trusts' CRE provides approximately 4.7% of the Trust annual revenue, and 25% - 30% +/- of the TLO's spendable income.
- Trust Investment Portfolio Construction should include Inflation Hedge Investments.
- The Trust's CRE is high performing for stable durable Income (cash flow) while also appreciating in value, is a great inflation hedge, and a solid contributor to the Trust's annual revenue.

HARVEST HOLD-SELL ANALYSIS AND RECOMMENDATION

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■ RECOMMENDATION

■ HOLD THE ASSETS, PREPARE FOR SELECT FUTURE (MEDIUM TERM) SALES

- Benefit from the stable durable income to the Trust. **48% from Rulon.**
- Benefit from inflation hedge investment to the Trust, in high inflation environment.
- Benefit from asset appreciation, coming out of Low Point of the Real Estate Cycle.
- Achieve portfolio diversification in investment portfolio construction.
- Significant discount to replacement costs signals more growth can be achieved.
- Asset Determining Factors
 - Avoid Reduced Proceeds due to debt prepayment penalties on 2 assets.
 - Amber Oaks debt is locked out from repayment, so sale not feasible.
 - North Park is in challenged market in 'value creation' mode, execute sale when leased.
 - Promontory Point has a leased but unoccupied building in challenged market, execute a sale prior to 2025 (debt expiration date) and have refinance back up plan.

PORTFOLIO ACCOMPLISHMENTS AND FY 2023 CHALLENGES

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■ ASSET LEASING

- Cordova: Renew or release 3,041 SF.
- North Park: Lease 34K SF.
- Amber Oaks: Market has good momentum. 13K SF vacant, strong activity.
- Washington Parks: Renew SOW (LED 11/23), or if tenant vacates release 47K SF.

■ ASSET REFINANCINGS

- Completed refinancing of North Park, N Rulon, and Commercial Drive.
- Refinance Washington Parks loan when lease renewal/releasing completed (2022/2023).
- Refinance Amber Oaks if terms favorable when leasing completed/debt lockout expires (2026).
- Proactively plan to refinance Promontory Point prior to maturity (2025) while asset sale planned.

■ ASSET SALES

- Prepare for asset sales.

■ BEST PRACTICES AND RESOURCE

- Harvest to continue to collaborate with the FIO and be a resource and provide Advisory.

VALUE CREATION OPPORTUNITIES COMPLETED

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Opportunity	Why?
Leasing Agreements modifications	Conformed agreements to industry best practices, economic benefit.
Management Agreements modifications	Conformed agreements to industry best practices, including provisions for standard fee calculations. Other provisions that minimized liability to ownership include insurance, certification of compliance to code, added amongst other provisions. Economic benefits.
Refinancings	Refinanced 3 Assets will add \$5.2 million of Cash Flow to the Trust over 10 years. Also, best terms negotiated.
Capital Expense Management	Certain capital expenditures can be expensed (commonly called escalation billings, with tenant reimbursement for the expenditure). Comparison to peer properties. Ongoing Proactive management of this increases the property cash flow.
10 Year Capital Budgeting Planning	The practice of 10-year capital planning is important as the capital needs are quantified over this period of time. This allows for either expensing or repairing instead of replacement - saving costs. Capital can be planned to be spread out to avoid capital calls. High capital estimates can signal a time to sell the asset before capital is needed. Ongoing.
Financial Statement Review	Review of financial statements often can uncover errors for correction that impact cash flow. (Example: Prop. Mgr. counting a termination payment as income and charging a management fee. Can be various different items). This is also ongoing.

PORTFOLIO CHALLENGES AND VALUE CREATION OPPORTUNITIES

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Opportunity	Why?
Occupancy Agreement at Cordova	Allows Cordova to be fully valued as an investment property increasing its valuation, avoids conflicts of interest, consistent 3 rd party expense standards applied, and ability to Sell the asset at (increased) maximum value.
Refinance remaining Assets	Refinance Washington Parks (in 2024 after lease renewal) and save an additional \$5M+/- over 10 years. Potential savings of \$2M at Promontory Point (depending on hold period).
BOV and Appraisal requirements	Consistent requirements will ensure values that are vetted and maximized and create time efficiency for staff. Position for asset sale with accurate vetting completed in market.
Standard Annual Budget Packages	Create staff efficiency, increases accuracy, and increases ability to identify opportunities for revenue generating items and cost savings items.
North Park Advance Sale Work	Prepare advance sale due diligence and address/resolve issues to ensure a Buyer will not be able to renegotiate a Sales price. Will allow staff to be ready to act when capital markets advantageous. Maximize staff property visits to drive lease up with brokerage community.
Promontory Point Advance Sale Work	Prepare advance sale due diligence and address/solve issues to ensure a Buyer will not be able to renegotiate a Sales price. Will allow staff to be ready to act when capital markets advantageous. Concurrently track refinancing so prepared to act when debt expires, and/or if tenant does not renew its lease.
Asset Sale Review	Market is at inflection point, important to regularly monitor/change strategies when advantageous. Maximizing value creation through sales proceeds opportunity.

PORTFOLIO ACCOMPLISHMENTS AND CHALLENGES (As of June 2022)

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Washington Parks, Tumwater

- 100% leased to credit tenants.
- Income on budget and expenses \$40K less than budget, due to savings in various maintenance categories.
- State of Washington lease extension in 2023.
- Refinance asset after re-leasing (2022/2023).
- Stable long-term cash flow.



1973 N Rulon White Blvd., Ogden

- 100% leased under a long-term credit tenant IRS lease.
- Income exceeded budget by \$19K.
- Expenses \$69K less than budget due to savings in parking lot maintenance, snow removal, and taxes.
- Monitor annexation discussions of Weber Industrial Park by City of Harrisville (RE Tax implication).
- Refinancing completed.
- Stable long-term cash flow.

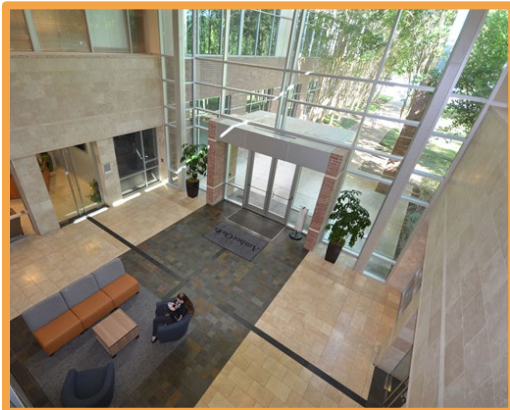
PORTFOLIO ACCOMPLISHMENTS AND CHALLENGES

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North Park, San Antonio

- 61% leased compared to 52% last year.
- Challenging market with 18.5% vacancy rate, one pending LOI for 20K SF, but expect economic recovery to continue to lag.
- Income underperformed budget by \$303K due to leasing velocity. Expenses \$31K over budget due to utilities.
- Refinancing complete.
- Expect lease-up to take time.



Amber Oaks, Austin

- 88% leased, an increase of 23% from last year.
- Strong leasing activity with one 4,000 SF LOI outstanding. 3,095 SF rolls in next year.
- \$199K income budget deficit offset by \$155K expense savings. Variance due to timing of leasing.
- Refinance in 2026 if terms attractive to enhance cash flow.
- High performing multi-tenant Class A+ asset.

PORTFOLIO ACCOMPLISHMENTS AND CHALLENGES

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Promontory Point, Austin

- 100% leased to Texas DOT, a strong credit tenant.
- Texas DOT expansion space occupancy began 12/21. Lease expiration date is 6/30/25.
- Positive income variance of \$47K and expense savings of \$31K compared to budget.
- Refinancing opportunity after penalty payment diminishes.
- Stable long-term cash flow.
- One building unoccupied by tenant.



2600 Cordova Street, Anchorage

- 100% leased.
- TLO occupies 6,829 SF of space (not under a lease).
- Income is \$26K ahead of budget, and expenses are \$25K less than budget.
- Minimal lease rollover. Good stable cash flow asset.
- 3,041 SF rolls in next year.

PORTFOLIO ACCOMPLISHMENTS AND CHALLENGES

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2618 Commercial Drive, Anchorage

- 100% leased to Cummins Northwest. Strong credit tenant.
- Lease expires in 2026.
- Income and expenses met budget.
- Stable, long-term cash flow due to recent lease renewal.

APPENDIX

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APPENDIX

- Listing of Source Documents
- AMHTA FY 2022 Cash Flow Report
- Summary of Existing Debt
- Benefits of FY2022 Refinancings & Future Refinancings
- Harvest IRS Tenancy Advisory Report
- Hold Sell Analysis Rulon
- AMHTA Real Estate Market Report Summaries

APPENDIX: LIST OF SOURCE DOCUMENTS

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■ Listing of Source Documents

- APFC Investment Policy statement dated May 21, 2021.
- APFC Board of Trustees Performance Report dated May 31, 2022.
- APFC 2021 Annual Report.
- CRE Property Draft Financial Statements, June 2021.
- CoStar Office and Industrial Market Reports for Anchorage AK, Tumwater WA, and Ogden UT dated June 15, 2022.
- Cushman & Wakefield and CBRE Market Reports for 2Q2022.
- AEW Research U.S. Economic Recovery & Property Market Perspective 1Q2022.
- UBS Real Estate Outlook Edition 2 2022.
- Bloomberg *'Fed Braces as Another Big US Inflation Number Looms: Eco Week'* July 9, 2022.
- WSJ *'China Inflation Rises on Gains in Food and Fuel Prices'* July 9, 2022.
- WSJ *'Powell Says Fed Must Accept Higher Recession Risk to Combat Inflation'* June 29, 2022.
- WSJ *'Jobs Report Could Keep Fed on Track for 0.75-Point Rate Rise in July'* July 8, 2022.
- 1Q22 data from CBRE Economic Advisors, NCREIF, Real Cap Analytics.
- US Commercial Real Estate Indices: the NCREIF property index Jeffrey D Fisher (undated).
- United Nations *'World Economic Situation and Prospects: June 2022 Briefing'*, No. 161, 1 June 2022.
- CSNBC *'World Bank slashes global growth forecast to 2.9%, warns of 1970's-style stagflation'* June 2022.
- Barron's *'The War in Ukraine is driving Global Inflation. Here's How Much'* July 8, 2022.
- The Economist *'Do cheaper commodities herald a recession?'* July 7, 2022.
- The Economist *'A recession in America by 2024 looks likely'* June 2, 2022.

APPENDIX: AMHTA FY 2022 CASH FLOW REPORT

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AMHTA Portfolio
FY 2022 YE Projected Cash Flow
 June 2022 Operating Statements

	1973 N. Washington Parks	Rulon White Blvd	Amber Oaks	Promontory Point	North Park	2600 Cordova Street	2618 Commercial Drive	Total
Income	1,616,852	2,052,768	2,222,610	1,806,569	1,094,134	547,817	236,766	9,577,516
Operating Expenses	488,403	750,035	1,253,122	798,917	627,980	273,327	11,102	4,202,886
NOI	1,128,449	1,302,733	969,488	1,007,652	466,154	274,490	225,664	5,374,630
Capital	0	174,170	654,355	283,867	42,980	0	89,889	1,245,261
Owner's Expenses	0	0	90,491	7,247	39,294	0	0	137,032
Cash Flow Before Debt Service	1,128,449	1,128,563	224,642	716,538	383,880	274,490	135,775	3,992,337
Interest Expense	256,107	282,928	385,654	433,831	263,534	0	36,336	1,658,390
Principal (Est)	652,712	42,777	555,517	202,111	122,103	0	44,703	1,619,923
Debt Service	908,819	325,705	941,171	635,942	385,637	0	81,039	3,278,313
Net Cash Flow	219,630	802,858	-716,529	80,596	-1,757	274,490	54,736	714,024
Loan Financing Fees		76,240			132,773		1,370	

APPENDIX: SUMMARY OF EXISTING DEBT

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AMHTA Updated Debt Summary - July 2021

		<u>Loan</u>	<u>Maturity</u>	<u>Interest</u>	<u>Loan</u>	<u>Original</u>	<u>6/30/22</u>		<u>Estimated</u>	<u>Estimated</u>		<u>Annual</u>	
	<u>Lender</u>	<u>Origination</u>	<u>Date</u>	<u>Rate</u>	<u>Constant</u>	<u>Principal</u>	<u>Principal Per</u>	<u>Estimated</u>	<u>Current LTV</u>	<u>Potential to</u>		<u>Debt</u>	<u>Notes</u>
							<u>YE Statments</u>	<u>Value (BOV)</u>	<u>(BOV)</u>	<u>refinance?</u>		<u>Service</u>	
Washington Parks	CMFG Life	6/6/2014	7/1/2029	4.35%	9.09%	\$10,000,000	\$5,531,619	\$16,054,600	34%	Restructure after SOW renewal 2023		\$908,819	Can prepay with penalty after July 1, 2019; Yield maintenance calculation; BOV reflects November 2023 lease renewal for SOW in 89% of building.
1973 N Rulon White Blvd	Ameritas Life	10/21/2021	11/1/2041	3.38%	6.9%	\$6,500,000	\$6,365,945	\$23,428,571	27%	Complete		\$447,574	No prepayment penalty 90 days before maturity; Earlier is greater of 1% loan balance, or yield maintenance
Promontory Point	Principal	6/26/2015	7/1/2025	4.69%	6.22%	\$10,230,000	\$9,012,655	\$17,478,362	52%	Yes		\$635,940	30 Year amortization, past 48 Month Lockout, Defeasance to prepay unless 3 months prior to maturity when can pay off with small fee; New Sate of Texas DOT for 100% building through 2025.
Amber Oaks*	State Farm	8/2/2016	9/1/2036	3.57%	7.00%	\$13,440,000	\$10,500,092	\$1,300,000	34%	After 9/2026		\$941,171	10-year Lockout (9/1/26), then yield maintenance, 6 month Open Period can pay prior to maturity date with no fee.
North Park* 2600 Cordova Street	Falcon Bank	10/1/2021	10/31/2031	3.78%	6.2%	\$6,500,000	\$6,377,977	\$13,215,000	49%	Complete		\$404,521	Loan prepayment penalty as a % of loan balance: Yr. 1-5 – 3%; Yr.6-7 2%; Yr. 8 1%; Yr. 9-10 N None; Unleveraged
2618 Commercial Drive	Northrim Bank	11/1/2021	11/1/2041	3.38%	6.9%	\$924,080	\$905,033	\$2,820,000	32%	Complete		\$63,630	Open to Prepayment.
TOTAL							68	\$38,693,321	\$94,296,533	35%		\$3,401,655	

* 2022 Appraisal listed vs BOV.

APPENDIX: BENEFITS FY 2022 REFIS & FUTURE REFIS

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AMHTA REFINANCING CASH FLOW ANALYSIS											
Harvest Advisory Projected Net Change in Original Debt Service vs. Refinancing											
Jul-22											
For Year	Forecast 1	Forecast 2	Forecast 3	Forecast 4	Forecast 5	Forecast 6	Forecast 7	Forecast 8	Forecast 9	Forecast 10	Cash Flow Total
FY2022 REFINANCING SAVINGS											
North Park											
Original Debt Service (9/2021 Maturity)	601,072	601,072	601,072	601,072	601,072	601,072	601,072	601,072	601,072	601,072	
Refinancing Debt Service	258,253	258,253	258,253	258,253	258,253	258,253	258,253	258,253	258,253	258,253	
Benefit from Refinancing	342,819	342,819	342,819	342,819	342,819	342,819	342,819	342,819	342,819	342,819	3,428,190
N. Rulon											
Original Debt Service (12/2033 Maturity)	619,771	619,771	619,771	619,771	619,771	619,771	619,771	619,771	619,771	619,771	
Refinancing Debt Service	477,574	477,574	477,574	477,574	477,574	477,574	477,574	477,574	477,574	477,574	
Benefit from Refinancing	142,197	142,197	142,197	142,197	142,197	142,197	142,197	142,197	142,197	142,197	1,421,970
Commercial Drive											
Original Debt Service (7/2033 Maturity)	98,975	98,975	98,975	98,975	98,975	98,975	98,975	98,975	98,975	98,975	
Refinancing Debt Service	63,630	63,630	63,630	63,630	63,630	63,630	63,630	63,630	63,630	63,630	
Benefit from Refinancing	35,345	35,345	35,345	35,345	35,345	35,345	35,345	35,345	35,345	35,345	353,450
TOTAL SAVINGS FROM FY2022 FINANCINGS	520,361	520,361	520,361	520,361	520,361	520,361	520,361	520,361	520,361	520,361	5,203,610
POTENTIAL FUTURE REFINANCING SAVINGS											
Washington Parks											
Original Debt Service (7/2029 Maturity)	908,819	908,819	908,819	908,819	908,819	908,819	908,819	908,819	908,819	908,819	
Refinancing Debt Service (assume 4.5%)	908,819	908,819	539,300	186,558	186,558	186,558	186,558	186,558	186,558	186,558	
Benefit from Refinancing	-	-	369,519	722,261	722,261	722,261	722,261	722,261	722,261	722,261	5,425,346
Promontory Point											
Original Debt Service (7/2025 Maturity)	635,942	635,942	635,942	635,942	635,942	635,942	635,942	635,942	635,942	635,942	
Refinancing Debt Service (assume 4.5%)	635,942	635,942	635,942	329,699	329,699	329,699	329,699	329,699	329,699	329,699	
Benefit from Refinancing	(0)	(0)	(0)	306,243	306,243	306,243	306,243	306,243	306,243	306,243	2,143,697
POTENTIAL SAVINGS FROM FUTURE FINANCINGS	(0)	(0)	369,519	1,028,504	1,028,504	1,028,504	1,028,504	1,028,504	1,028,504	1,028,504	7,569,043
NOT REFINANCED											
Amber Oaks											
Original Debt Service (9/2036 maturity)	941,171	941,170	941,171	941,171	941,170	941,171	941,171	941,171	941,171	941,171	
Refinancing Debt Service	941,171	941,170	941,171	941,171	941,170	941,171	941,171	941,171	941,171	941,171	
Benefit from Refinancing	-	-	-	-	-	-	-	-	-	-	-
TOTAL BENEFIT*	\$520,361	\$520,361	\$889,880	\$1,548,865	\$1,548,865	\$1,548,865	\$1,548,865	\$1,548,865	\$1,548,865	\$1,548,865	\$12,772,653

APPENDIX: BENEFITS OF PENDING & PROJECTED REFINANCINGS

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AMHTA REFINANCING CASH FLOW ANALYSIS											
Harvest Advisory Projected Amortization											
July 2022											
For the Years Ending	Forecast Jun-23	Forecast Jun-24	Forecast Jun-25	Forecast Jun-26	Forecast Jun-27	Forecast Jun-28	Forecast Jun-29	Forecast Jun-30	Forecast Jun-31	Forecast Jun-32	Amortization Total
North Park Principal Repayment	162,225	168,596	175,172	184,002	189,103	196,481	204,144	212,107	220,380	228,977	1,941,187
N. Rulon Principal Repayment	235,739	244,142	252,523	261,192	270,158	279,432	289,025	299,947	309,209	319,824	2,761,191
Commercial Drive Principal Repayment	33,410	34,493	35,774	37,019	39,503	41,019	42,447	43,925	45,404	47,035	400,029
Israel/Washington Parks Principal Repayment	681,678	352,102	-	-	-	-	-	-	-	-	1,033,780
Ridgepoint/Prom Point Principal Repayment	217,990	228,437	239,385	20,459	-	-	-	-	-	-	706,271
Amber Oaks Principal Repayment	575,676	596,568	618,217	640,651	663,901	687,994	712,962	738,835	765,647	793,433	6,793,884
TOTAL PRINCIPAL REPAYMENT*	\$1,906,718	\$1,624,338	\$1,321,071	\$1,143,323	\$1,162,665	\$1,204,926	\$1,248,578	\$1,294,814	\$1,340,640	\$1,389,269	\$13,636,342

* North Park Amortization based on \$6,500,000 since remaining \$1,500,000 has not been funded.

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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Harvest prepared this advisory to evaluate the IRS lease renewal probability, as part of Hold Sell Advisory, as of July 2022.

■ Background

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 included a goal for the IRS to have at least 80 percent of all tax returns electronically filed by Calendar Year 2007, which resulted in the IRS completing a study in December 2000 to identify ways to benefit from the increase in e-filing and the corresponding decrease in paper tax return filing. This study resulted in the IRS developing a business plan to gradually reduce the number of Tax Processing Centers that processed paper-filed tax returns. This led to the implementation of its Submission Processing Site Consolidation Strategy in 2002. The goal was to consolidate the ten existing processing sites to five due to the expected growth of electronic filing versus paper. The consolidation was completed in 2011 and the five remaining sites at that time included the following locations:

- Covington, Kentucky
- Fresno, California
- Austin, Texas
- Kansas City, Missouri
- Ogden, Utah

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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In September 2016, IRS Commissioner John Koskinen announced that further consolidation would occur resulting in three more processing centers being closed by yearend 2024. Covington was scheduled in September 2019, Fresno in September 2021, and Austin in late 2024. Ogden and Kansas City were selected to continue operations with Ogden focused on business filings and Kansas City focused on 1040 paper returns from individual taxpayers. These two tax processing centers are considered end-state sites with no plans for closure.

In 2018, Ogden processed 1.9 million individual returns and 11.9 million business returns. This was projected to increase to 4.2 million individual returns and 12.2 million business returns in 2021.

Covington closed in 2019 as scheduled and the paper business returns processed there were transferred to Kansas City. In September 2021 Fresno was closed, and all the paper individual returns processed there were transferred to Ogden (business returns were no longer being processed in Fresno in 2021). The Austin processing center was scheduled to close in September 2024 with an estimated 1.4 million paper individual returns transferring to Kansas City in 2025. The paper business returns were already transferred to Ogden and Austin is no longer processing any business returns.

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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■ Facilities Update

Concerns regarding closing the Austin processing center on the originally planned date in 2024 began to arise in early 2021 due to the IRS experiencing significant hiring shortfalls. This resulted in Fresno, Kansas City, and Ogden Processing Centers transferring work to the Austin Processing Center in an effort to reduce backlogs and workloads that could not be addressed due to limited staffing. As of August 11, 2021, approximately 1.7 million individual tax returns and 276,000 other work requests were transferred to Austin for processing. Once Austin closes the ability to transfer will be limited given that only two sites will remain. Although Ogden exceeded its hiring goal for the 2021 filing season with 1,402 hired compared to its goal of 1,192, Austin and Kansas City lagged and met only 53% of their hiring goals (1,849 hired versus goal of 3,515).

■ Amended Planning 2022

Due to these processing backlogs and hiring shortfalls the Inspector General for Tax Administration issued a report dated February 7, 2022, recommending that the IRS indefinitely delay the closure of the Austin processing center. This was flowed by a bicameral group of colleagues in Congress urging the IRS to halt plans to close Austin given growing delays in processing returns and Individual Taxpayer Identification Numbers (ITIN) applications since Austin is the only facility that processes ITIN applications. Previously IRS management announced on June 14, 2021 that they

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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would take a strategic pause and halt actions to close the Austin Tax Processing Center and reconsider in early 2020s. As a result of the Inspector General's report and congressional concerns, the IRS responded on February 17, 2022, by announcing that they were indefinitely postponing the closure of the Austin processing center.

■ Technology Update

The IRS continues to have legacy IT challenges. In addition, the IRS receives approximately 100 million pieces of mail each year. That mail gets opened and sorted at the agency's processing centers. The agency's current mail sorting process does not involve digitization, but instead relies on manual sorting. The Tax Processing Centers use the Service Center Automated Mail Processing System (SCAMPS) to process incoming mail. SCAMPS is a cornerstone to mainstream processing of tax returns and related taxpayer correspondence. The SCAMPS equipment in place at these sites is 20 years old and has not had any significant technical upgrades in more than 15 years.

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The agency's Enterprise Digitalization and Case Management Office (EDCMO) recently put out a request for information (RFI) specifically looking for technology that "will perform a complete digital intake for all incoming mail," including envelopes and their contents. "To ensure we continue to meet our demand and improve taxpayer service, we are seeking a new and inventive way to complete these tasks while maintaining our standards and timeframes," the RFI states. Responses were due on May 13, 2022.

Despite this new RFI, it is uncertain whether the IRS will be successful in getting Congress to designate funds. IRS Commissioner Chuck Rettig recently asked Congress for multi-year funding to support its ongoing IT modernization efforts, adding that it is "impossible to build out a robust, meaningful input technology" without these types of funds. Lawmakers, however, have been reluctant to support these requests and have not approved any past funding requests for IT infrastructure upgrades and modernization. These increased funding for IT requests from the IRS date back to 2013. On June 15th, the House Appropriations Committee released its draft financial services and general government spending bill which included a billion dollar increase to the IRS' topline budget. The IRS budget includes \$310 million for Business System Modernization, a fund that's focused on modernizing IRS legacy systems and improving IRS Web applications and

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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tax filing processing. This represents a \$35 million increase from current levels, and the funding would be available until September 2025 if approved. Even if this is approved in the final budget, it is not enough funding to fix all of the legacy IT issues that remain.

■ Impact on AMHTA Rulon Asset

The Ogden facility is largely focused on dealing with large business taxpayers. Among its duties is processing a mailed in form that allows corporations to get quick refunds. The IRS employs approximately 5,000 employees in the area.

The IRS nationally received 148 million individual returns in 2021 and 94% were filed electronically resulting in \$8,330,000 paper returns. 58% of business returns were filed electronically in 2021.

The following table contains information regarding the paper tax returns and forms processed at the Ogden processing center.

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Table 1. Total Number of Returns Filed, Estimated, and Projected for Ogden IRS Campus

	Actual 2020	Estimated 2021	Projected 2028
Grand Total Returns	37.4 million	52.2 million	55.1 million
Total Paper Returns/Forms	22.1 million	32.1 million	23.5 million
Individual Returns	1.6 million	5.0 million	2.9 million
Individual Estimated Tax	3.4 million	3.0 million	6.4 million
Business Returns/Forms	17.1 million	24.1 million	14.2 million

The purpose of this advisory is to analyze the prospects for a lease renewal by the IRS. Rulon and Kansas City were always designated to be end states processing centers with no immediate plans for closure. The total number of paper returns projected to be processed in 2023 exceeds the total processed in 2020 despite the increase in electronic filings. To reduce the paper filings further, the IRS would have to make a significant investment in technology and there are no plans to do so in the near future as Congress has not approved past plans to increase spending in technology. The fact that there is now no firm date to close Austin means that it is highly unlikely that there will be any changes to the long-term strategy at Ogden and Kansas City until the fate of that processing center is resolved.

APPENDIX: HARVEST IRS TENANCY ADVISORY REPORT

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Based upon the dissemination of the studies on the IRS plans, announced amended plans, and lack of legislative action as outlined above, Harvest opines at this time that it is very unlikely that the IRS will vacate Rulon before the end of the primary lease. It is also very likely that the IRS will exercise its first five-year option to renew and probably the second as well.

Given the length of time it took to execute the closure of past processing centers once a plan was announced, a minimum time frame of 8 to 10 years from announcement to closure would be likely. As a result, if the IRS were to decide to close one of the last two remaining centers, the earliest possible date would probably be at the end of the second option period, and AMHTA would have sufficient advance notice of their plans.

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■ Annual Hold Sell Analysis and Monitoring

Harvest prepares a Hold Sell evaluation annually on each asset owned by the AMHTA. The annual Hold Sell on Rulon will include an update of this Advisory, to monitor for any change in legislative action or government plans. That advisory will inform underwriting (tenant renewal probability) with other factors in the Hold or Sell recommendation. The discipline for this ongoing monitoring is a best practice in real estate investment management. It will ensure consideration and evaluation of the economic benefits of holding the asset with durable income under a credit lease versus a sale if anticipating a non-renewal by the IRS, which would erode value.

■ Conclusion

Based on Harvest's analysis of the above information, the current available information regarding fiscal funding for the IRS' ongoing IT modernization efforts, and the IRS' current stated plan to maintain two end-state processing sites in Ogden and Kansas City, Harvest believes that it is highly likely that the IRS will exercise its first renewal option and probably its second renewal option as well. Harvest will continue to revisit this analysis by closely monitoring the IRS (including its strategy for processing centers, calendar year projections, and appropriations for technological advancements) in its annual Hold Sell analysis, with particular attention in years 2027, 2032, and 2037.

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Footnotes:

1 Final Audit Report – Further Consolidation of Processing Centers is Underway in Response to continued Increases in Electronic Filing (Department of the Treasury Audit #201740039 dated May 31, 2018).

2 Op. cit.

3 IRS Calendar Year Projections for the United States and IRS Campuses: 2021-2028 (Publication 6186 Revised 11/21).

4 Final Audit Report – Plans to Close Austin Tax Processing Center Should be Halted until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed (Treasury Inspector General for Tax Administration Report #2022-40-015 dated February 7, 2022).

5 Ibid.

6 Op. cit. IRS Calendar Year Projections

■ Source Documents

Final Audit Report – Further Consolidation of Processing Centers is Underway in Response to continued Increases in Electronic Filing (Department of the Treasury Audit #201740039 dated May 31, 2018).

IRS Calendar Year Projections for the United States and IRS Campuses: 2021-2028 (Publication 6186 Revised 11/21).

Final Audit Report – Plans to Close Austin Tax Processing Center Should be Halted until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed (Treasury Inspector General for Tax Administration Report #2022-40-015 dated February 7, 2022).

A Strategy Is Needed as Efforts Continue to Close Tax Processing Centers (Treasury Inspector General for Tax Administration Report #2020-401915 dated March 11, 2020).

APPENDIX: AMHTA Real Estate Market Report Summaries

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Key Market Metrics: Salt Lake/Ogden, Utah: 1973 N Rulon White (Office/Warehouse) Source CoStar June 2022.

OGDEN	Inventory (SF)	2Q 22 Vacancy %	1Q22 Vacancy %	12 mo. Net Absorp SF	2QUnder Constr. SF	2Q Asking Rent PSF	1Q Asking Rent PSF
Davis Industrial	58,301,495	1.40%	1.1%	757,000	1,981,000	\$7.46	\$7.17
TOTAL	58,301,495	1.40%	1.10%	757,000	1,981,000	\$7.46	\$7.17

Key Market Metrics: Seattle/Tumwater, Washington: Washington Parks: 1111 Israel Road Source CoStar June 2022.

THURSTON COUNTY	Inventory (SF)	2Q22 Vacancy	1Q Vacancy %	12 Mo Net Absorp SF	2Q Under Constr. SF	1Q Asking Rent PSF	2Q Asking Rent PSF
Downtown Olympia	4,332,000	1.8%	1.7%	(643)	0	\$23.98	\$26.59
Eastside	1,315,000	2.2%	1.8%	10,147	0	\$23.35	\$24.39
Lacey	2,201,000	3.9%	4.0%	40,606	0	\$22.85	\$23.08
Outlying Thurston	165,000	--%	2.6%	12,378	0	\$22.11	\$23.05
Tumwater/S Olympia	1,948,000	.7%	.8%	15,870	0	\$22.97	\$22.98
Westside	1,558,000	5.5%	5.8%	6,342	0	\$23.92	\$24.26
Yelm	123,000	--	2.8%	258	0	\$22.82	\$23.61
TOTAL	11,642,000	2.5%		84,958	0		

APPENDIX: AMHTA Real Estate Market Report Summaries

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Key Market Metrics: Anchorage Alaska Office: 2600 Cordova. Anchorage AK Source CoStar June 2022.

ANCHORAGE OFFICE	Inventory (SF)	2Q22 Vacancy%	1Q22 Vacancy%	12 Mo Net Absorp. SF	2Q Under Constr. SF	2Q22 Asking Rent PSF	1Q22Asking Rent PSF
Spendard-10 Submarket	5,713,092	7.7%	8.2%	25,400	0	\$30.23	\$29.91

Key Market Metrics: Anchorage Alaska Industrial: Commercial Drive. Anchorage AK Source CoStar June 2022.

ANCHORAGE INDUSTRIAL	Inventory (SF)	2Q22 Vacancy %	1Q 22 Vacancy %	12 mo. Net Absorp. SF	2Q Under Constr. SF	2Q Asking Rent PSF	1Q Asking Rent PSF
Post Rd/Glenn	1,684,236	2.6%	2.6%	(16,000)	0	\$18.57	\$17.70

APPENDIX: AMHTA Real Estate Market Report Summaries

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Key Market Metrics Austin Texas Amber Oaks and Promontory Point Source: Cushman & Wakefield 2Q2021 and 2Q2022.

AUSTIN	Supply SF	2Q22 % Vacant	4Q21 % Vacant	2022 Net Absorp SF	2Q22 Under Constr. SF	2022 Constr Comp. SF	4Q Avg Asking Rent	2Q Avg Asking Rent
CBD	13,045,300	21.3%	22.2%	371,469	2,818,173	356,151	\$61.40	\$62.09
Central	1,451,916	14.6%	17.3%	26,077	0	0	\$47.06	\$48.86
Far Northwest	16,785,820	17.3%	15.7%	(62,158)	681,000	384,456	\$37.81	\$40.86
North Central	2,043,346	23.5%	25.9%	39,321	88,377	0	\$34.07	\$34.26
Northeast	2,862,459	32.7%	29.8%	(96,249)	424,367	0	\$34.44	\$31.98
Northwest	4,567,518	19.5%	18.5%	(113,102)	0	0	\$35.17	\$35.86
Round Rock	1,753,684	29.1%	19.4%	(223,330)	0	0	\$32.08	\$36.97
South Central	2,694,592	33.2%	20.1%	(81,722)	134,623	360,611	\$41.02	\$46.23
Southeast	1,436,496	14.9%	14.6%	(3,594)	0	0	\$32.30	\$31.82
Southwest	11,562,259	17.4%	16.4%	(145,526)	83,096	0	\$42.69	\$44.36
East	2,669,527	38.0%	41.6%	278,335	887,671	309,465	\$53.03	\$55.39
TOTAL	61,282,917	21.1%	19.8%	(10,479)	5,117,307	1,400,773	\$44.92	\$45.49

APPENDIX: AMHTA Real Estate Market Report Summaries

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Key Market Metrics San Antonio North Park Source: CBRE 2Q2022 and 4Q2021.

SAN ANTONIO	Supply SF	2Q % Available	4Q % Available	2022 Net Absorp	2Q Under Constr SF	2Q Cnstr Comp. SF	2Q Avg Asking Rent	4Q Asking Rent
CBD	5,404,307	25.1%	18.1%	(16,971)	0	--	\$34.74	\$33.35
North Central	10,416,033	20.0%	22.8%	140,313	97,682	--	\$25.29	\$24.89
Far North Central	2,598,189	27.2%	21.9%	18,442	0	--	\$32.78	\$32.57
Northeast	2,412,758	23.7%	21.5%	(755)	230,000	--	\$24.91	\$25.25
Northwest	10,482,589	21.3%	21.9%	70,447	634,640	--	\$25.22	\$24.79
Far West	1,285,341	37.9%	38.6%	(68,768)	0	39,600	\$28.15	\$26.91
South	721,639	2.8%	.6%	81,152	--	--	\$21.81	\$21.00
TOTAL	33,321,856	22.4%	21.7%	223,860	9623326	39,600	\$27.13	\$26.54

Trust

Alaska Mental Health Trust Authority

*Thank you for the opportunity to
service the AMHTA.*

Harvest Capital Partners, 121 Mount Vernon Street, Boston, MA 02108
617.270.6260 www.harvestcp.com



Trust
Land Office



Commercial Real Estate Discussion Re. Financial Matters

Rulon White

1973 North Rulon White Blvd., Ogden, UT



Attributes:

- 103,000 sf industrial building on 13.14 acres
- 100% occupied
- Single-tenant facility
- Exceptional credit strength tenant (IRS)
- Tenant since 2002
- Acquired in 2013

MEMO

To: Brent Fisher, Finance Committee Chair
Thru: Steve Williams, Chief Executive Officer
From: Carol Howarth, Chief Financial Officer
Date: July 19, 2021
Re: FY2024 Trust Authority Office MHT Agency Budget Request

REQUESTED MOTION:

The Finance Committee recommends that the full Board of Trustees approve the FY2024 Trust Authority Office MHT Agency budget of \$4,624,370.

BACKGROUND

Staff present the proposed FY2024 Trust Authority Office Agency budget based on anticipated activity levels of the Trust. Trust staff request that the Finance Committee recommend that the full board of trustees approve the MHT Agency funds as detailed in the attached document.

The FY2024 proposed budget reflects a net increase of \$194,045, or 4%, over the FY2023 Trust Authority Office Agency budget.

The table below outlines the primary drivers of the year-over-year budget changes:

Budget Line	FY2024 Proposed Budget Above / (Under) FY2023 Mgmt Plan	Primary Year-Over-Year Component Changes
Personal Services (line 1000)	\$166,958 5%	FY2024 merit increases. Not reflected are PERS and Health Insurance increases.
Travel (line 2000)	\$16,560 18%	Anticipated increases in travel required for Trustee and staff
Services (line 3000)	\$12,387 1%	Anticipated increases in Interagency charges, which remain uncertain, are offset by other line item decreases, particularly IT and telecommunication.
Supplies (line 4000)	\$(1,860) (3)%	Although lower, FY24 reflects increased costs relative to FY2023 Management Plan with return-to-office, return-to-open meetings, and scheduled computer replacements
Equipment (line 5000)	\$0	No capital equipment purchases anticipated

The proposed FY2024 Agency budget is affected by unanticipated changes made to the Trust's FY2023 budget; specifically, the Legislature's passage of a 5% Cost of Living Allowance (COLA) increase to Exempt employees has a significant effect on the FY2023 budget, which in turn was accounted for and

impacts the FY2024 budget. The FY 2024 budget does not include any provision for an additional COLA, nor potential adjustments to PERS or health insurance costs. If in the event the Legislature approves FY2024 budgets with additional COLA or increases in benefit costs, then Trustees will be requested to ratify the increases.

The Travel line, which includes travel for staff and trustees has been flat for several years. This FY2024 budget increases travel for anticipated trustee meetings and site visits, necessary staff travel to Juneau, rural outreach, and professional development.

Within Services thoughtful budget choices have been made to control cost, resulting in reductions in several service categories. Strong management of the Trust's information technology and telecom contracts drives the budget reduction, more than offsetting anticipated increases in Interagency Services, which make up 1/3 of the budget. It is important to note that Interagency Services, which are not controllable, will be reevaluated by the Office of Management and Budget (OMB) later this fiscal year and are uncertain. Some costs within the category may decline, others may increase. This uncertainty applies not only to FY2024, but to the current fiscal year.

Supplies, as with Services, were carefully reviewed to control costs. FY2024 plan does not reach pre-COVID level of spending.

	A	I	J	L	N
1	MENTAL HEALTH TRUST AUTHORITY OFFICE				
2	FY2024 Agency Budget				
3					
5	EXPENDITURES	FY23 Trustee Approved	FY23 Management Plan	Proposed FY24	FY23-24 %Change FY23 Mgmt Plan v Proposed FY24
6	1000 Personal Services	\$ 3,300,475	\$ 3,371,742	\$ 3,538,700	5%
7	Personal Services	3,232,019	3,303,286	3,470,244	5%
8	cell phones	3,456	3,456	3,456	0%
9	Honorarium	65,000	65,000	65,000	0%
10	2000 Travel	82,000	90,500	107,060	18%
11	3000 Services	977,850	910,083	922,470	1%
12	4000 Supplies	70,000	58,000	56,140	-3%
13	5000 Equipment	-	-	-	na
14	Total	\$ 4,430,325	\$ 4,430,325	\$ 4,624,370	4%
15					
16	Full Time Employees	17	17	17	
17					
18					
19					
20	<div>FY2024 Proposed: <u>\$4,624,370</u> </div>				
21					
22					
23					
24					
25					
26					
27					



Trust
Land Office

2600 Cordova Street
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To: Brent Fisher, Chair
Finance Committee
Thru: Steve Williams, Chief Executive Officer
From: Jusdi Warner, Executive Director
Date: 7/26/2022
Re: FY24 Agency Budget – Item 1
Fiscal Year: 2024
Amount: \$5,019,100

Approval

Proposed Finance Committee Motion:

“The Finance Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the Trust Land Office agency budget for FY24 in the amount of \$5,019,100.”

Background:

The Trust Land Office (TLO) seeks the recommendation of the Finance Committee for the FY24 agency budget. Please see Exhibit 1 for a breakout of the proposed line items.

For this request, the FY24 budget is compared against the FY23 budget.

Exhibit(s):

Exhibit 1 – FY24 Trust Land Office Budget Proposal

	A	B	C	D	E	G
1	TRUST LAND OFFICE AGENCY BUDGET FY24 Proposal					
2						
3						
4						
5	Expenditures	FY22 YTD as of 7/15/2022¹	FY23 Trustee Approved Budget	FY23 Mgmt Plan	FY24 Proposal	FY23 Trustee Approved - FY24 Proposal
6	Personal Services ²	2,748,248	3,204,500	3,298,759	3,385,672	6%
7	Travel	84,508	140,545	140,545	140,545	0%
8	Services	1,425,801	1,531,005	1,436,746	1,436,151	-6%
9	Supplies	92,086	54,500	54,500	56,700	4%
10	Total	4,350,644	4,930,550	4,930,550	5,019,068	2%
11	Total FY24 Increase				88,518	
12						
13	Revenue	FY22 YTD as of 07/12/2022¹	FY23 Trustee Approved Budget	FY23 Mgmt Plan	FY24 Proposal	FY23 Trustee Approved - FY24 Proposal
14	Principle	6,803,786	6,517,750	7,247,793	6,447,750	-1%
15	Income	5,352,383	5,334,667	4,628,102	6,152,360	15%
16	Total	12,156,169	11,852,417	11,875,895	12,600,110	6%
17						
18	(1) Numbers are not final until the reappropriation period ends August 31. Revenue deferrals not yet completed.					
19	(2) FY23 and FY24 accounts for Governor's Budget adjustments and a vacancy factor.					
20	FY24 TRUSTEE REQUEST: \$5,019,100					
21						
22						
23						
24						
25						