Meeting Agenda

Meeting:	Resource Management Committee
Date:	July 25, 2023
Time:	10:15 am
Location:	Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference:	(844) 740-1264 / Meeting Number: 2634 176 1944 # / Attendee Number: # https://alaskamentalhealthtrust.org/
Trustees:	John Sturgeon (Chair), Rhonda Boyles, Kevin Fimon, Brent Fisher, Anita Halterman, Agnes Moran, John Morris

Tuesday, July 25, 2023

		Page No
10:15	**Call to Order (John Sturgeon, Chair)**	
	Roll Call	
	Announcements	
	Approval of Agenda	
	Ethics Disclosure	
	Approval of Minutes	
	• April 19, 2023	4
10:20	**Executive Director Report**	hand-out
10:45	**Icy Cape Update**	hand-out
10:55	**Presentations**	
	• FY23 Commercial Real Estate Performance Review	hand-out
11:30	**Lunch**	
12:15	**Approval**	
	• Cost Recovery Programs	20
	○ Subdivision Development Program	33
	○ Mineral Potential Evaluation Program	40
	Break	
	• CPL Master Plan / Salvation Army Less than Fair Market Value Lease	44
2:45	**Adjourn**	

Trust
Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

Future Meeting Dates

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

(Updated – June 2023)

• Audit & Risk Committee	July 25, 2023	(Tue)
• Finance Committee	July 25, 2023	(Tue)
• Resource Mgt Committee	July 25, 2023	(Tue)
• Program & Planning Committee	July 26-27, 2023	(Wed, Thu)
• Full Board of Trustees	August 29-30, 2023	(Tue, Wed) – Anchorage

• Audit & Risk Committee	October 19, 2023	(Thu)
• Finance Committee	October 19, 2023	(Thu)
• Resource Mgt Committee	October 19, 2023	(Thu)
• Program & Planning Committee	October 20, 2023	(Fri)
• Full Board of Trustees	November 15-16, 2023	(Wed, Thu) – Anchorage

• Audit & Risk Committee	January 4, **2024**	(Thu)
• Finance Committee	January 4, **2024**	(Thu)
• Resource Mgt Committee	January 4, **2024**	(Thu)
• Program & Planning Committee	January 5, **2024**	(Fri)
• Full Board of Trustees	Jan 31 – Feb 1, **2024**	(Wed, Thu) – Juneau
• Audit & Risk Committee	April 24, **2024**	(Wed)
• Finance Committee	April 24, **2024**	(Wed)
• Resource Mgt Committee	April 24, **2024**	(Wed)
• Program & Planning Committee	April 25, **2024**	(Thu)
• Full Board of Trustees	May 22-23, **2024**	(Wed, Thu) – TBD

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Future Meeting Dates

Statutory Advisory Boards

(Updated – June 2023)

Alaska Commission on Aging

ACOA: http://dhss.alaska.gov/acoa/Pages/default.aspx
Executive Director: Jon Haghayeghi, (907) 465-4879, jon.haghayeghi@alaska.gov

- Quarterly Meeting: September 18-19, 2023 / TBD

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
Acting Executive Director: Stephanie Hopkins, 907) 465-4667, stephanie.hopkins@alaska.gov

- Executive Committee – monthly via teleconference (Wednesday / TBD)
- Quarterly Meeting: July 2023 / TBD

Governor's Council on Disabilities and Special Education

GCDSE: http://dhss.alaska.gov/gcdse/Pages/default.aspx
Executive Director: Patrick Reinhart, (907)269-8990, patrick.reinhart@alaska.gov

- Quarterly Meeting: October 9-10, 2023 / Anchorage
- Disability and Aging Summit: October 11-12, 2023 / Anchorage

ALASKA MENTAL HEALTH TRUST AUTHORITY

RESOURCE MANAGEMENT COMMITTEE MEETING
HYBRID/WEBEX

April 19, 2023
8:30 a.m.

Originating at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska

Trustees Present:
John Sturgeon, Chair
Anita Halterman
Agnes Moran
Kevin Fimon
Verne' Boerner
Rhonda Boyles

Trust Staff Present:
Steve Williams
Katie Baldwin-Johnson
Miri Smith-Coolidge
Carol Howarth
Kelda Barstad
Michael Baldwin
Allison Biastock
Eric Boyer
Kat Roch
Debbie DeLong
Valette Keller
Travis Welch
Autumn Vea
Janie Ferguson

Trust Land Office staff present:
Jusdi Warner
Jeff Green
Katie Vachris
Marisol Miller
David MacDonald
Sarah Morrison
Blain Alfonso
Karsten Eden

Also participating:
John Springsteen; Stephanie Hopkins; George Davis; Heather Weatherell.

PROCEEDINGS

CALL TO ORDER
CHAIR STURGEON called the Resource Management Committee to order and began with a roll call. He noted that there was a quorum. He asked for any announcements. Not hearing any, he moved to the approval of the agenda.

APPROVAL OF AGENDA

> **MOTION:** A motion to approve the agenda was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Boerner, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Moran, yes; Chair Sturgeon, yes.)*

ETHICS DISCLOSURES
CHAIR STURGEON asked for any ethics disclosures. Hearing none, he moved on to the minutes from December 6, 2022.

APPROVAL OF MINUTES

> **MOTION:** A motion to approve the Resource Management Committee meeting minutes from December 6, 2022, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FISHER.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Moran, yes; Chair Sturgeon, yes.)*

CHAIR STURGEON asked for a motion to approve the minutes from January 6, 2023.

> **MOTION:** A motion to approve the Resource Management Committee meeting minutes from January 6, 2023, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Moran, yes; Chair Sturgeon, yes.)*

TRUST LAND OFFICE EXECUTIVE DIRECTOR REPORT
CHAIR STURGEON recognized Jusdi Warner, executive director of the Trust Land Office.

MS. WARNER stated that in January she gave an update on the first harvest market agreement that they engaged in. She noted that this is an agreement where both parties shared in the risk, which means that it is typically high risk, but with high rewards. The negotiations, the amendments to the contract were few, but they were important for ensuring that the Trust is protected; and there is also a provision that an audit could take place of their books. Additionally, a harvest market agreement would be used for the Hollis sale with the hope to sell to Viking, while we feel that Viking will come under contract. She moved on to performance and stated that they were on track to meet the $3 million forecasted revenue for the total for the year. To date, the Trust had realized nearly $7.5 million off of both the Shepherd Cove and Naukati sales. Those were from lands that were acquired through the land exchange. She talked about the money that had been encumbered in the TADA account. The TLO released a significant amount of money in the TADA for the land exchange, and the cultural work is still getting done. There was also some BLM survey work outstanding. In talking about fieldwork, she stated that it was critical to have boots on the ground ensuring that the operations were meeting contract standards for garbage and/or spills, FRPA, Forest Resources and Practices Act, to protect fish habitat, but to also ensure utilization. She added that utilization includes inspections. She noted that they are looking at new ways to manage the timber sale contracts through a design layout, especially for the beachfront lots. When contractors build their roads, the idea is to put them in places that will facilitate subdivisions in the future, if that is the highest and best use. She added that, at the rate they were harvesting, these sales will be exhausted in about three to five years. Then there will be a gap where the timber would not be ready to harvest for seven to ten years, giving time for a second growth. She moved to carbon and noted that they had been strategically planning to turn some of the nonperforming assets into performing assets. They were looking to utilize carbon sequestration in Trust timber, and to do that soon with the plan to contract to inventory some of the acreage that is owned by the Trust. She added, that gap where the second growth was growing can also sequester carbon, and we hope to have carbon credits until that second growth is ready to harvest. She explained the process, and then continued to the busy lands team with the stellar performance in land sales. The team is really showing up big in back fees. She talked about how the team is recovering those fees, and then moved to fieldwork. She also talked about the drone pilots that secured their Part 107 certification through the FAA to operate the drones. Staff was also working significantly on some Mat-Su parcels for a subdivision, with a field trip planned in May for the Board Meeting. She moved to the minerals and energy section with the expectation that the performance will come within the target range of the forecast of $2.27 million. She stated that the TLO is looking on ways to diversify the revenue streams, and we will talk about the exciting projects later today. She continued that the best-interest decision affirmed was completed on the Sitka tiny home project. No comments were received, and a letter of intent to lease this project was issued. She continued through her presentation and explained the slides as she went through in greater detail. She introduced Cole Hendrickson, the newest member of the TLO. He is the new land and resource specialist who came from the leasing section of the DNR Division of Mining, Land, and Water. He has worked across every asset class and will be able to chip in and help.

TRUSTEE FIMON asked about the back fees and collection, and if it was just being ignored or was it just a lack of awareness. Was there something that could be done differently, or is it an opportunity for marketing for a variance where it could be promoted.

MS. WARNER replied that it was an ongoing problem in Alaska. Some people just do not know that it is Trust land and think it is general State land. Some of it is just education.

TRUSTEE FIMON welcomed Mr. Hendrickson.

CHAIR STURGEON also welcomed Mr. Hendrickson and moved to the consultations. He stated that there were four of them and asked for a motion for A.

CONSULTATIONS
ITEM A – Solar Energy Negotiated Lease – MHT 9200844

> **MOTION:** The Resource Management Committee recommends that the Alaska Mental Health Trust Authority concur with the Executive Director of the Trust Land Office's decision to lease Trust parcels SM-1162-01 and SM-1162-04 through two negotiated term leases was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.

CHAIR STURGEON asked Ms. Warner to lead the discussion.

MS. WARNER stated that this consultation is the first of its kind on Trust land for a solar farm. Renewable Independent Power Producers develops and constructs utility-scale solar farms here in Alaska. The structure of this negotiation is a phased approach for a large parcel near Nikiski. She continued that since this is the first of its kind, the Trust Land Office worked to understand this industry and the value it could return to the Trust through the utilization of Trust land. Solar is a renewable resource, and all of the revenue would be realized as income to the Trust. She asked Chandler Long to go through the consultation.

MS. LONG shared the executive director's decision to dispose of Trust property. The first is the Kenai Peninsula solar farm. She explained that Renewables Independent Power Producers, known as "Renewables IPP," is a privately funded company aiming to develop economically viable, utility-scale solar energy to Alaska's power supply. She continued that Renewables IPP has two ongoing projects in Wasilla and Houston, and they are looking to develop 28.5 megawatts on roughly 250 to 300 acres for their third project, the Kenai Peninsula Solar Farm. She added that this project would sell cost-competitive solar electricity to Homer Electric Association, meeting about 6.5 percent of their power needs, and supporting the extension of the Cook Inlet gas supply. She explained that this model would use an escalating royalty percentage with an option for a second phase of development, and two parcels of Trust land could be leased over two phases. The Phase 1 lease would be 32 years which involved a two-year construction phase for the solar panels, with an annual fee, and then a 30-year phase. The lease also includes a potential for up to three five-year renewables, because the life of a solar panel is currently 30 to 40 years, and the tech continues improving. The fiscal return to the Trust is based on an increasing royalty percentage of gross revenue which escalates every ten years the lease is in effect, and upon each renewable. She continued that Phase 2 would look similar but with increased feasibility time. Upon successful approval from the Regulatory Commission of Alaska for Phase 2, it would enter into a separate 32-year lease with the options to renew under the same terms described above. She added that this would be the largest solar farm in the state of Alaska, but not large compared to the Lower 48. She stated that the option to lease for solar for Phase 2 is an incentive for Renewables IPP to decrease the per megawatt cost they have by expanding the solar farm on Trust land to use the transformers that would be necessary for Phase 1. She continued that this was the highest and best use of this rural property outside of Nikiski. Currently, the property is used for recreation, has user-developed ATV trails, and a low per-acre value. She added that this is an opportunity to maximize returns and expand the energy portfolio to include solar power on Trust land that is utility scale, cost effective, cost competitive, and renewable.

CHAIR STURGEON thanked Ms. Long and asked the Board for any questions or discussion.

TRUSTEE HALTERMAN asked about the possibility that the extreme conditions in Alaska might shorten the time period of this particular project, and what the impact of that might be.

MS. LONG replied that the first commercial set of panels was in 2019. It was a very new business, with very new tech, but with a very low cost to install solar panels. They were not so much affected by other weather events. As long as the sun keeps shining, they will generate power. She added that the maintenance is all on the operator; not on the Trust.

MS. WARNER added that there was bonding, and the Trust would not be left with solar panels should this not be economically viable for any reason.

TRUSTEE BOERNER clarified that, at this point, they were looking at more of the exploration and then get the benefit of the research or the discovery of their analysis regardless of what is decided future-wise.

CHAIR STURGEON moved to the roll-call vote.

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

ITEM B – Wind Energy Negotiated Lease & Easements – MHT 9400761

> **MOTION:** <u>The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees confer with the Executive Director of the Trust Land Office's decisions to dispose of all or a portion of the Trust parcels FM-1551-01, FM-1514, FM-1515, FM-1516, FM-1517, FM-1520, FM-1521, and FM-1522 through a negotiated term lease was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.</u>

CHAIR STURGEON asked Ms. Warner to lead the discussion.

MS. WARNER stated that the next two consultations consider wind energy on Trust land, and would be the first of its kind on Trust land. They have the potential to generate over $100 million for the Trust over a 30-year term. Alaska Renewables is the Fairbanks-based renewable energy development company applicant. She continued that their goal is to identify and deploy projects that could best reduce Alaska's cost of energy and diversify its energy supply with clean, sustainable, and reliable power generation. The company does take a fundamentally technology-agnostic approach. Their initial portfolio of projects has focused on harnessing a diversified supply of wind energy from multiple sites across the state's Railbelt electrical grid. She explained that in 2022, Alaska Renewables had been selected by Chugach Electric Association in a competitive proposal to proceed with engineering and economic feasibility studies for the interconnection of the large wind energy project on the west side of Cook Inlet. That effort was anticipated in culminating in a long-term power purchase agreement that would enable Alaska Renewables to construct and operate the largest renewable energy project in the state's history; more than five times larger than the biggest wind farm currently operating in the state. In addition, Alaska Renewables is actively engaged with all other Railbelt electric utilities to explore the potential for additional wind project and renewable energy procurement. She added that Andrew McDonnell is Alaska Renewables' cofounder and vice president and leads the ongoing development of this company's utility scale and wind energy projects. He was present and available to answer any questions that may arise about the projects that were under consideration from a renewable energy development perspective. She asked Jeff Green to walk through the consultation.

MR. GREEN first talked generally about both of the projects because the proposed lease structure and the easement agreements were functionally the same for both projects. He continued that there were two motions for two consultations. The first motion regards the lease, which for both projects would begin at the feasibility study phase and would be a large area; thousands of acres. Once the project gets to the construction phase, then the lease would be narrowed down substantially to just the physical improvements associated with the project. He added that, under the proposed agreement, the five-year initial negotiated lease would be for the feasibility and the data collection. These projects will need to be approved by the RCA, as well. The engineering, the layout, the design would be completed in the five-year phase, and the Trust will receive a nominal amount, as well as copies of all the data collected for future use should either of the projects not proceed to construction. He stated that if they prove feasible, then Alaska Renewables will have the option to enter into a 30-year term lease for the construction and operational phases of the projects. The Trust would receive royalty of the gross revenue from each project, with escalations at 10 and 20 years. There are no allowable deductions from those royalties. There is also a minimum payment, based on a per megawatt negotiated, to ensure that compensation would be received. He added that the insurance and appropriate performance guarantees would be in place for the life of the project to insure performance, but also for decommissioning of the projects once completed, and the removal of the towers and such in 30-plus years. He moved to the second motion regarding the easements which would be a 30-year term easement that would coincide with the operational phases of the projects. He continued that these are required to support the projects through access, and to facilitate the electrical transmission of the power, and are a linear feature for very small acreage. He noted that that covered the general parts of both of the consultations. He then went into the specifics of each project, explaining as he went through. He stated that the project was not expected to add any additional expense to the TLO's operating budget, and is a fantastic opportunity for the Trust to make substantial income on parcels that are nonperforming, and would likely remain nonperforming for the foreseeable future.

CHAIR STURGEON asked for any questions.

TRUSTEE BOYLES stated that there are 13 wind turbines in that area now and asked who owned those.

MR. GREEN replied that farm is on State land and is owned by Golden Valley Electric Association. The property under them was leased from the State.

TRUSTEE BOYLES asked if that project would interfere in the event Healy Coal renewed the lease that expires in 2031, or wanted to lease additional property.

MR. GREEN replied that would be unlikely. The area is below in the lowlands, and this is on top of Walker Dome.

TRUSTEE FIMON asked for a point of order. He suggested reading the second motion because, for the record, the consultation is tied to that second motion.

TRUSTEE HALTERMAN explained that, procedurally, they needed to be taken one at a time.

TRUSTEE FIMON asked if that discussion that affected the second motion be repeated, or is it okay to have that discussion if the motion had not been made.

CEO WILLIAMS recommended the conversation be picked back up again when the second motion was read. For the record, people would understand that there was a discussion on the second motion, and then we could take the vote on the second motion.

TRUSTEE BOERNER stated that she was excited about what was being proposed and very happy to see that wildlife and cultural aspects were also being considered.

CHAIR STURGEON asked for any other questions or comments. There being none, he moved to the roll-call vote.

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

CHAIR STURGEON moved to the next motion and asked that it be read into the record.

> **MOTION:** The Resource Management Committee concurs with the Executive Director's recommendation to dispose of a portion of Trust parcels FM-1551-01, FM-1514, FM-1515, FM-1516, FM-1517, FM-1520; FM-1521, and FM-1522 through a negotiated term, easements in support of MHT 9400761, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.

CHAIR STURGEON asked Ms. Warner for further discussion.

MS. WARNER asked Mr. Green to continue.

MR. GREEN explained that this motion was in support of the project and would be for the term easements that would coincide with the project at the construction phase, and would only be issued if the project went to the construction phase. He continued that these would be utility easements, access easements for high-voltage transmission lines, and maintenance and service roads that would serve the project. He added that it would be based on the feasibility studies, the engineering, and the optimal placement of the wind turbines, and then the easements would serve to interconnect those turbines.

CHAIR STURGEON thanked Mr. Green and asked for any questions or discussion.

TRUSTEE MORAN asked if this would come back to the board for the 150 acres, or would it just go forward.

MR. GREEN replied that it would not come back to the board. He noted that it would just go forward, and Alaska Renewables would exercise their option to enter into a 30-year lease for the construction and operational phase of the project. He added, that would be when the Trust would begin seeing the substantial income payments, once the power was being generated.

TRUSTEE BOYLES asked if this motion addressed easements for a 30-year period to the same company that was putting the wind turbines in this area.

MR. GREEN replied, yes, it was.

TRUSTEE BOYLES asked if this negotiated lease would act as an impediment to further development of State or Trust lands if they hold that 30-year lease.

MR. GREEN replied that, because of the nature of these projects, with wind energy, there would be very minimal acreage that would be encumbered. He stated that they would not be receiving a lease for 1700 acres; it will be a lease for 150 acres for those specific points and the easements that interconnect. He continued that the turbines themselves would be protected, but the easements would not be restricted. He added that they would provide the legal means for the owner of the turbines to get there to provide the maintenance, and it would not be structured in a way that would restrict the use by other parties outside of the specific areas where the turbines would be.

TRUSTEE FIMON echoed some of the concerns down the road that both Trustees Boerner and Boyles mentioned about the long term of 30 years. He looked for some assurances that the children and grandchildren that may hear this recording 30 years from now know that the right questions were asked and based on the future of this project.

MR GREEN replied that there would be performance guarantees and bonding in place that would take care of the decommissioning at the end of the project, which will spell out what needed to be removed and to what depths underground.

TRUSTEE FIMON stated that it is a concern for all on the eventuality of a more important use of the property would not get legally locked away from us.

MR. GREEN noted that the access roads for the turbines at the Eva Creek Wind Farm actually provided physical and legal access for adjacent mining operations that were happening in the area. This would be no different.

CHAIR STURGEON moved to the roll-call vote.

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

ITEM C – Wind Energy Negotiated Lease & Easement – Motion 1 - MHT 9200838
CHAIR STURGEON asked for the motion be read into the record.

> **MOTION:** <u>The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Executive Director of the Trust</u>

Land Office's decision to dispose of all or a portion of Trust parcels SM-1507, SM-1508, SM-1509, SM-1510, SM-1506-01, SM-1506-A01, SM-1530-D01, and S70437 through a negotiated term lease was made by TRUSTEE BOYLES; seconded by TRUSTEE FISHER.

CHAIR STURGEON asked Ms. Warner to begin the discussion.

MS. WARNER stated that this is Bald Hills, Crescent Inlet over at Tyonek. It is a slightly larger lease and will generate slightly more revenue. She asked Mr. Green to open the discussion, and to also talk about the surrounding uses on this property that had been conserved.

MR. GREEN stated that this second consultation will sound very similar to the first. This is MHT 9200838, and is located on the west side of Cook Inlet. Alaska Renewables calls it their Bald Hills project. It is located about 7.5 miles west of Tyonek, and affects portions of eight Trust parcels. He continued that it will initially include approximately 21,000 acres in the five-year feasibility study phase for the portion of the lease, and is currently estimated that the ground lease during the operational phase would include about 800 acres to support the installation of 20 to 90 wind turbines that will provide a total electrical output of 100 to 172 megawatts. He added that there will be about 15 miles of easement to support for this project. The estimated revenue for the project is approximately $50 to $85 million in income from the annual lease rentals and the easement fees. That number is based on the price per kilowatt sold; the size of the project as a whole. Also, depending on the needs for the project, the Trust could also receive principal from material sales associated with the construction of the project. He added that it is a very remote area, and activity is pretty minimal. There are no roads connecting to this. There are old logging roads from back in the '70s. He talked about several other authorized uses in the vicinity, and also talked about some existing easements at issue and the land use license issued to Alaska West Ari to provide commercial transportation for hunters and other recreational uses in the general West Cook Inlet area, as a whole. He stated that this area was formerly leased to PacRim Coal; however, all of those coal leases and interests were relinquished 2017. None of the nearby projects are expected to be problematic for this project going forward. He added that Alaska Renewables is already engaged in the local community of Tyonek and the Kenai Peninsula Borough.

CHAIR STURGEON asked for any questions.

TRUSTEE MORAN asked, if the negotiations with Tyonek and the Kenai Borough failed, would that be a stop for this project going forward.

MR. GREEN replied that, for this project, they would not be. He stated that the Trust is the anchor for this project because of the significant portion of the project being on Trust land.

TRUSTEE BOERNER noted that they are working with the City of Tyonek and asked if they were also working with the tribe.

MR. GREEN replied that they were working with the Tribal Council, the local community, and the Native Corporation.

TRUSTEE BOYLES asked about the term "anchor," and if it meant that the land was a big portion of the assets being acquired.

MR. GREEN replied that the land was necessary for the project to go forward. Without the Trust's involvement in this project, the neighboring landowners in the small portions of the project were not enough to make the economics of the project work out to develop it.

TRUSTEE BOYLES asked for any information or research done on Alaska Renewables, LLC.

CHAIR STURGEON asked Mr. McDonnell to come forward and welcomed him.

MR. McDONNELL stated that he is the vice president of Alaska Renewables, as well as a cofounder. He explained that they are a startup company formed two years ago in response to local community and utility interest in deploying renewable energy on the grid. They have built an amazing team of collaborators and employees that work to develop these projects across Alaska. They had not yet operated or built a project in Alaska, but they had successfully responded to Chugach Electric's request for proposals for new wind-energy-generation projects, and were in continued collaboration and consultation with all Railbelt utilities in order to enter into long-term power purchase agreements with those utilities that would facilitate the construction of these wind farms. He continued that their team relied on a wealth of industry expertise that had deployed gigawatts of renewable energy across the planet, and they are bringing in the expertise in wind specifically to ensure that these projects are built in an effective, reliable and economic manner that will benefit the state for a long time.

CHAIR STURGEON thanked Mr. McDonnell and asked for any other questions. There being none, he moved to take a vote on Item C, Motion 1.

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

ITEM C – Wind Energy Negotiated Lease & Easement – Motion 2 - MHT 9200838
CHAIR STURGEON asked for Item C, Motion 2 to be read into the record.

> **MOTION:** The Resource Management Committee concurs with the Executive Director's recommendation to dispose of a portion of Trust parcels SM-1507, SM-1508, SM-1509, SM-1510, SM-1506-01, SM-1506-A01, SM-1530-D01 and S70437 through negotiated term easements in support of MHT 9200838, was made by TRUSTEE BOYLES; seconded by TRUSTEE MORAN.

CHAIR STURGEON asked Ms. Warner to begin the discussion.

MS. WARNER turned it over to Jeff Green for continuity.

MR. GREEN stated that these easements would be for the 30-year term, the operational phase of the project. They would provide the same uses, access to the project, access to the turbine sites where the lease was and the transmission lines that would facilitate the transmission of the power generated, and interconnect the turbines to the main grid. He continued that also provided access to potential private recreation and other potential projects. It is not something that is structure that would restrict access. He added that the lease would be structure, and that it is required that it would be narrowed down to the operational areas. The entire area will not be encumbered for the 30 years.

CHAIR STURGEON asked for any other questions. There being none, he moved to the roll-call vote.

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

ITEM D – Disposal of Trust Parcel CRM-0923 - MHT 9101134
CHAIR STURGEON moved to Item D and asked that the motion be read into the record.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Executive Director of the Trust Land Office's decision to dispose of Trust parcel CRM-0923 through a negotiated sale or subsequent disposal was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.

CHAIR STURGEON asked Ms. Warner to lead the discussion.

MS. WARNER stated that this is a negotiated land sale on a larger parcel north of Juneau and ias on the road system. This sale was proposed to a local operator for his goal of moving some of the tourism that was congested in Downtown Juneau out to the north end. She asked Chandler Long for more specifics.

MS. LONG stated that Trust parcel CRM-0923 is a larger than average undeveloped mountainside on the north end of the community of Juneau and is located roughly a mile north of the Tee Harbor waterfront. She continued that at the October '22 RMC and the November '22 Full Board Meeting, the Resource Management Committee and the Board of Trustees concurred with the TLO executive director disposing of the 67-acre Tee Harbor waterfront parcel. Today, the TLO is consulting on disposing of the 386-acre mountainside parcel to the same applicant, Glacier Property Development. She explained that Glacier Property Development intends to develop the 386-acre mountainside parcel as a destination for visitors to Juneau to explore and experience Southeast Alaska. The visitor industry is growing, and has the most positive outlook of any industry in Southeast. As a historical first, the cruise ship season will be longer than six months this year. Ketchikan's first big ship was the day after the meeting, with over 1.3 million passengers anticipated. However, this proposed use will require a zoning change with the City and Borough of Juneau. She stated that the parcel is currently zoned D1, single family and duplex, and allows for a maximum of one unit for residential purposes per acre. To develop this parcel consistent with the current zoning, the TLO would have to engage in a multi-year, multi-phase process, with several risk factors to the Trust. They include escalating construction costs and high subdivision standards. The City and Borough of Juneau requires ancillary road development, utility insulation, as well as reporting on water, septic, drainage, traffic, erosion, hazards. Residential subdivision development of this property would incur significant upfront capital many years prior to seeing a return on the investment. Further, subdivision development of this property is inconsistent with the Resource Management Strategy adopted in October '21 because the Trust would retain undevelopable property behind the subdivision with the potential for future management and stewardship liabilities and costs. For these reasons, and at this time, a negotiated sale was determined to be the highest and best use of this property. She stated that, in November of 2022, the fair market value was assessed to $2.7 million. This negotiated sale is an opportunity to dispose of the property for $3.9 million, which is 44 percent above the appraised fair market value. This disposal maximizes the return to the Trust on this property. It also offers the opportunity for a local business to expand, may even offer the opportunity for multi-generational families to remain employed in their home communities, and for Alaskans to earn income while sharing their way of life with visitors. She added that it would allow the region's economy to grow, which increases the opportunity for the many beautiful, undeveloped, large land holdings that the Trust does retain in Southeast Alaska.

CHAIR STURGEON thanked Ms. Long and asked for any questions or comments from the Board.

TRUSTEE FIMON talked about the potential impacts for housing, and he was not sure how it extends beyond that. He stated concerns about having almost 400 acres going to one owner and what it might mean down the road for someone who eventually may want to have a house out there. He asked how that would affect residents going forward.

MS. LONG replied that this area in Juneau is primarily residential and would require a zoning change for this proposed use, which is uncertain. She stated that, currently, there were three housing developments occurring in Juneau, and part of the analysis of this disposal was to evaluate the absorption rate in Juneau and conduct a feasibility analysis for residential development on this property. She continued that it was determined not to be in the highest and best use given the other developments, and that this is not a growing community.

TRUSTEE FIMON clarified that he was not so much concerned about the competition of what was going on now, but he just did not want to look back and say it was a mistake.

MS. WARNER explained that the topo map shows the lines to be close together, and that area was really steep. She stated that it would not be economical for the Trust to develop it as it is zoned. She added that Glacier Properties would own it and then get to decide what they do with it.

CHAIR STURGEON noted that Trustee Boyles had an excused absence due to an emergency.

TRUSTEE FISHER asked who had the responsibility for the zoning change and if the purchase was contingent on that zoning change.

MS. WARNER replied that the purchaser would be required to submit an application for a zoning change, and the sale was not contingent on that being successful.

CHAIR STURGEON asked for any other questions. There being none, he called the vote.

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

COMMERCIAL REAL ESTATE UPDATE
CHAIR STURGEON moved to the Commercial Real Estate Update and recognized Ms. Warner.

MS. WARNER stated that there had been a lot of things happening in the commercial real estate portfolio in a few buildings. David MacDonald is the senior resource manager for the commercial real estate section who has 30-plus years' experience in this industry and will walk us through this.

MR. MacDONALD thanked all for the opportunity to provide an update on the commercial real estate. He talked about and compared last year with the updated info from this year. The primary difference is that it came down a bit further than last year, but not a tremendous change. He framed the information in the context of the marketplaces right now. The prices in the commercial and financial markets are very high, and the valuations are really high. He explained that the general way assets were valued was by projecting the income stream that the asset would provide, and then discounting it to a present value. The process takes two aspects under consideration. The first is the projected outlooks for income, and the second is that the income projections were used in a multiple applied to convert it to a value. Instead of earnings being on top and price below, it was inverted. He explained the process of taking the income and dividing it by an estimated cap rate to get to a value. The valuations were high and had been high for an extended amount of time. This tends to more pessimism with more downside potential than upside remaining. He talked about the standard deviations implying overvaluation and how this tends toward wanting to be conservative. He stated, that is the general context in what they are operating. He continued through his slides and presentation, explaining as he went through. He continued that where it goes is dependent on the Federal Reserve and what they see about inflation. Inflation came down considerably, but was still elevated and is proving to be stubborn. The general consensus is that rates would stay high relative to the historical context. The outlook is that the Federal Reserve probably covered a lot of the stuff they wanted covered, and they do not think there was a need to be as drastic going forward. He moved to the portfolio, which is primarily office buildings, post pandemic. He talked about the need to fight for tenancies and keeping the buildings full. If there is vacant space, there is no income. Needed are tenants, leasing. He added that the track record was pretty successful in battling through over the last couple of years, and we have increased occupancy. He went through some of the numbers and then talked about the need to spend money to make some of the deals happen.

CHAIR STURGEON stated that during the COVID pandemic there were a lot more people working from home. He asked if that was stabilizing.

MR. MacDONALD replied that what is being seen is a hybrid, with the primary version being three days in the office as opposed to five. He believed that it is heading towards a flexibility model. People with different roles and with different needs and circumstances would be accommodated.

CHAIR STURGEON stated that his next question was about the similar report from Harvest Company. He asked how much interaction there was when they prepared their report, because a lot of the stuff is pretty similar.

MR. MacDONALD replied that there was a lot of redundancy between the two sides, and they were a good resource. He added that they were provided a lot of information and did take a lot of time.

TRUSTEE FIMON commented on a good job on the presentation. He talked about the cap rates and formulas provided and would like a conversation; and to place this pending lease into the formulas, which would be helpful.

MR. MacDONALD agreed.

CEO WILLIAMS added that, as reported to the trustees in the fall, the legislative auditor requested a status update on the recommendation that they had made and the actions in meeting those recommendations related to the 2021 audit, and then going back to the 2018 audit. He anticipated that inquiry would be an ongoing point of conversation moving forward.

CHAIR STURGEON asked for any other questions. Hearing none, he thanked him for the presentation and moved to a ten-minute break.

(Break.)

CHAIR STURGEON called the meeting back to order and continued to the presentation on Icy Bay. Unfortunately, Trustee Boyles would miss this. He asked Ms. Warner to begin.

ICY CAPE UPDATE

MS. WARNER stated that Karsten Eden would cover some of the details that could be shared about the project in the public session. Sarah Morrison, the chief business officer, would cover the finance of the project, and that would be before the recommendation for Executive Session.

DR. EDEN began with the first quarter of calendar year '23 and talked about the seven categories. The first was planning, then procurement, fieldwork, processing and assaying, science and engineering, anticipated results and public relations to marketing. He moved to the project timeline and went through starting at the beginning in 2015. In '24, drill sample processing and assaying will continue, and in '25 a conceptual prefeasibility study and having the strategy study done for the project. By the end of '25, the plan is to have the full marketing package in hand, and to hit the ground to start marketing it.

MS. MORRISON provided the estimates and actuals for the five years of the project. The estimates provided were the same that was seen in the work plan when the funding was originally requested. She went through the actuals for the first two completed field seasons, and they were still pretty much on track. She continued that Year 3 is just getting started, and with the actuals to date and making assumptions of spending to plan in years 3 through 5, the estimate is $9.97 million spent on the project once complete. She went through the budget actuals and stated that, from a cost perspective, at the end of the year, they would have exhausted a lot of the funds.

TRUSTEE FIMON asked if anything may happen during the summer results that would change this year's spending.

DR. EDEN stated that nothing will change. They will start drilling again.

CEO WILLIAMS asked if anything had changed last year as it related to fuel costs or materials, and if they were as high as they were.

DR. EDEN stated that fuel prices had come down, and the cost of transportation is coming down, which would help a lot in the project with statistics and the budget.

CEO WILLIAMS asked for an explanation of the difference between the prefeasibility study and the conceptual study.

DR. EDEN replied that they were basically the same, except that for the conceptual study less engineering needs to be done. That would bring down the costs significantly.

MS. WARNER stated that Dr. Eden had managed to save money elsewhere. Sometimes it was a shift in logistics, and sometimes it was Dr. Eden's willingness to negotiate.

CHAIR STURGEON thanked them for their great work and entertained a motion to go into Executive Session. He asked for the names of staff to be included in Executive Session.

MS. WARNER recommended that the committee move to an Executive Session based on discussing some of the confidential assay results that are in hand right now. The members of staff that she recommended joining the Executive Session would be Sarah Morrison, Karsten Eden, Jeff Green, herself, Allison Biastock, Katie Baldwin, Steve Williams, and Carol Howarth.

CHAIR STURGEON asked if any board members objected to having those staff included. Hearing none, he asked for someone to read the motion.

> **MOTION:** AS 44.62.310(c): A motion that the Resource Committee move into Executive Session to discuss confidential matters pertaining to Icy Cape, the immediate public knowledge of which would clearly have an adverse effect on the finances of a public entity. No decisions would be made in the Executive Session. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Moran, yes; Chair Sturgeon, yes.)*

(Executive Session from 11:10 a.m. until 12:04 p.m.)

TRUSTEE HALTERMAN read the following motion into the record:

> **MOTION:** "For the record, myself, my fellow trustees, and members of the Trust Authority and Trust Land Office are returning to the Resource Management Committee from Executive Session. We did not make any decisions during the Executive Session was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FISHER.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Moran, yes; Chair Sturgeon, yes.)*

The Resource Management Committee was adjourned.

(Resource Management Committee adjourned at 12:06 p.m.)

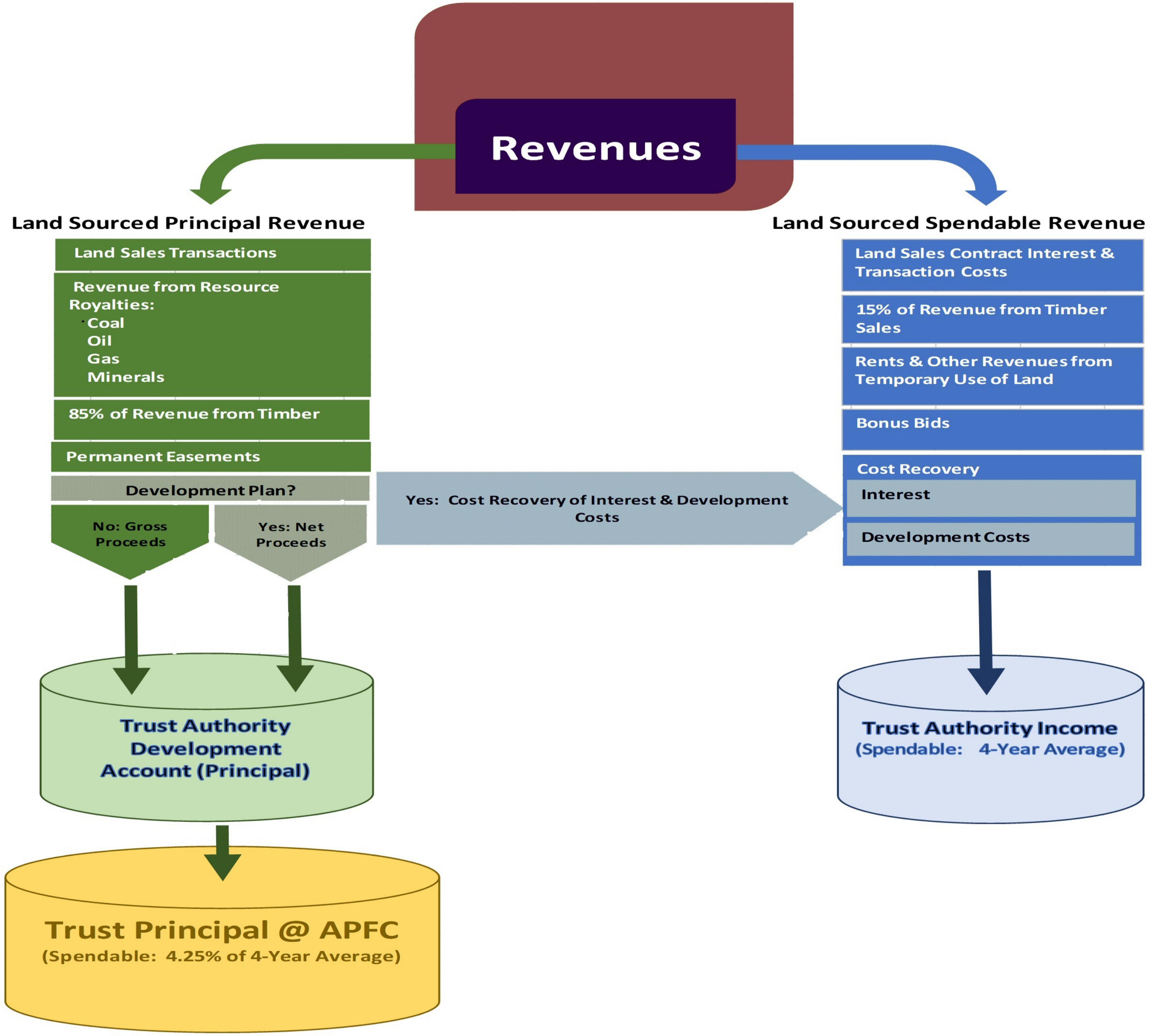
Trust
Alaska Mental Health Trust Authority

Cost Recovery Plan

Resource Management Committee
July 25, 2023

20 AAC 40.610

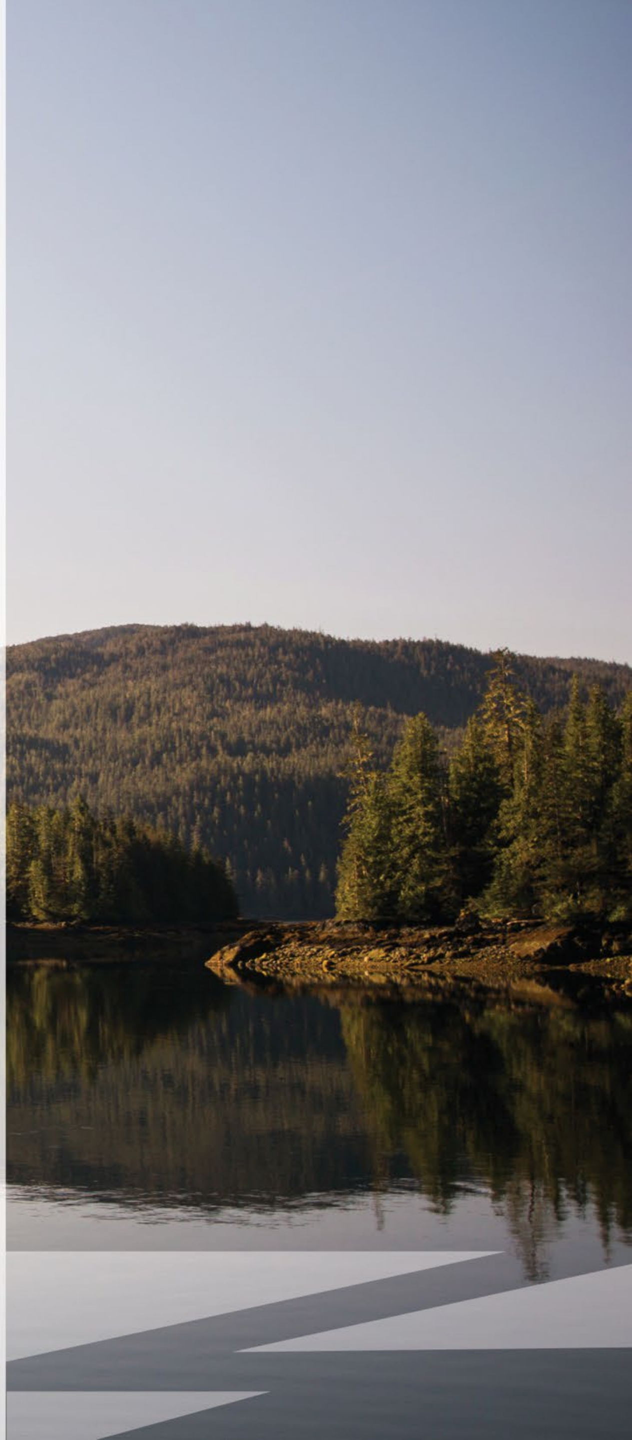
- Alaska Administrative Code governing allocation of revenue generated by Trust Land Office activities
- December 2020 update to allow for recovery of spendable income invested to improve land
- Change allows use of settlement income to enhance the value of land without reducing the amount of settlement income that could be used for any purpose at a later date
- Cost recovery plan must be in place prior to project starting


Revenues
Land Sourced Principal Revenue
Land Sales Transactions
Revenue from Resource Royalties:
Coal
Oil
Gas
Minerals
85% of Revenue from Timber
Permanent Easements
Development Plan?
No: Gross Proceeds
Yes: Net Proceeds
Yes: Cost Recovery of Interest & Development Costs
Trust Authority Development Account (Principal)
Trust Principal @ APFC
(Spendable: 4.25% of 4-Year Average)
Land Sourced Spendable Revenue
Land Sales Contract Interest & Transaction Costs
15% of Revenue from Timber Sales
Rents & Other Revenues from Temporary Use of Land
Bonus Bids
Cost Recovery
Interest
Development Costs
Trust Authority Income
(Spendable: 4-Year Average)

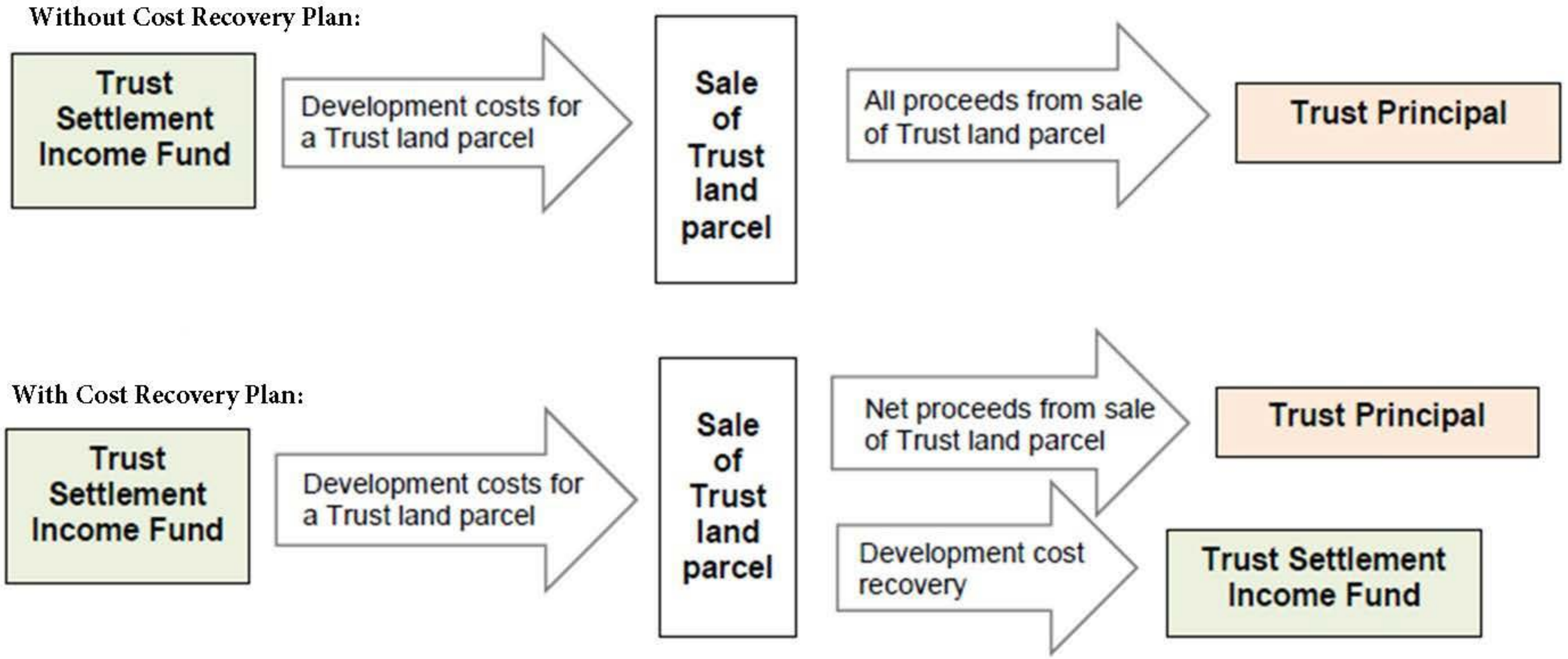
Revenue Allocation

- To principal after development cost recovery,
  - (A) 100 percent of
    - (i) land sale revenue
    - (ii) royalties on coal, oil, gas, materials, and minerals
    - (iii) revenues from perpetual easements
  - (B) 85 percent of revenues from timber sales

- To income
  - (A) 100 percent of
    - (i) interest from land sale or other contracts
    - (ii) bonus bids
    - (III) rents
    - (iv) proceeds from the operation or sale of the commercial real estate
    - (v) appreciation in land value at point of sale attributable to development costs
    - (vi) development cost recovery from any asset class transaction
  - (B) 15 percent of revenues from timber sales



A Simple Example



History

- AMPS
- TLODA
- Potential Projects
- Current Project

CHAIR MICHAEL moved to cost recovery regulations.

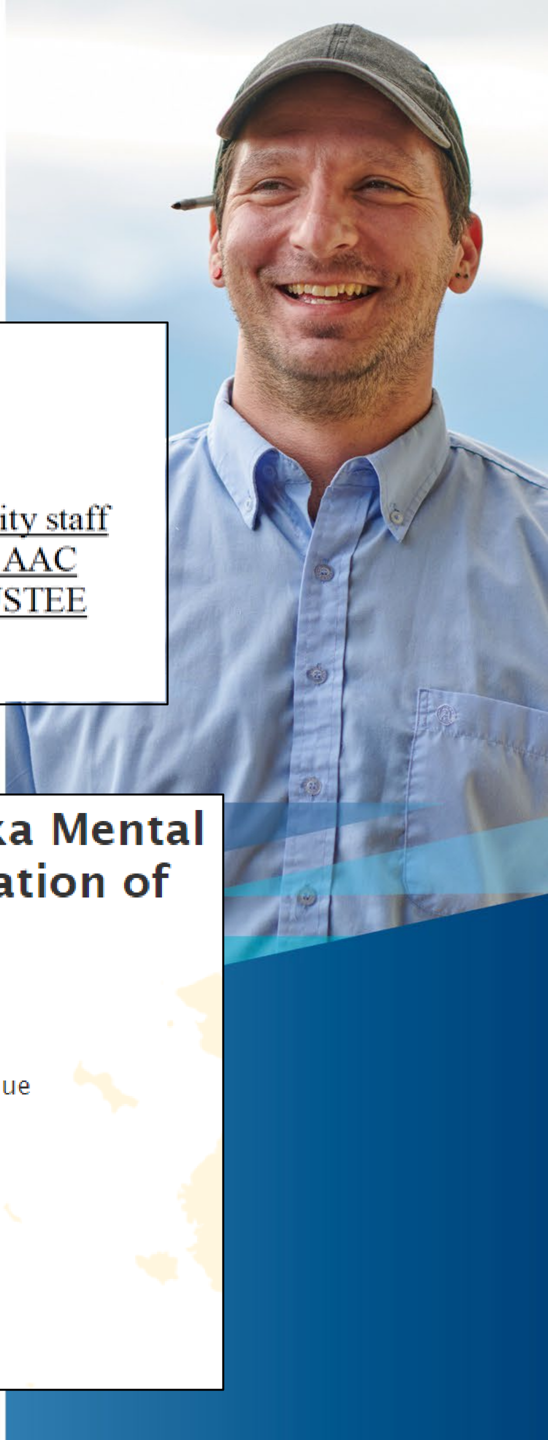
COST RECOVERY REGULATIONS

MOTION: A motion that the Full Board of Trustees authorize the Trust Authority staff to issue a public notice of proposed regulation change to 20 AAC 40.610 and 20 AAC 40.700 and start the regulation review public comment period was made by TRUSTEE DERR; seconded by TRUSTEE COOKE.

Alaska Administrative Code - Title 20 - Alaska Mental Health Trust Authority Regulations re: Allocation of Revenue

Filing notification attached.
Title 20 - Alaska Mental Health Trust Authority Regulations re: Allocation of Revenue
Department of Law file number: 2020200456
20 AAC 40.610

Filed: 11/25/2020
Effective: 12/25/2020
Published in Register: 236, January 2021



Considerations

- Value of the land before/after project.
- Risk value is not realized.
- Duration of time.

Question:

What is eligible for cost recovery?

Question:

Can these regulations be applied retroactively?

Question:

How will this impact Trust beneficiaries?

Questions?

Trust
Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

MEMO

To:	Chris Cooke, Chair – Board of Trustees
From:	Mike Abbott, Chief Executive Officer
Date:	August 19, 2020
Re:	Trust Cost Allocation Regulation Package

REQUESTED MOTION:

Move to adopt the proposed changes to 20 AAC 40.610 *as put forth for public comment on July 1, 2020.*

ANALYSIS

Proposed changes to Alaska Administrative Code, specifically 20 AAC 40.610, will allow the Trust to recover spendable income that was used to develop trust land for the purpose of producing revenue. Under the proposed regulations, spendable income used for development would return to the Trust Settlement Income Fund before the net revenue is allocated between principal and income. Under the current regulation, there is an automatic conversion of all income used in a revenue producing project to principal following trust land and resource sales.

During the August 2019 board meeting, trustees directed staff to move forward with a regulation update process that would allow for recovery of spendable income invested in Trust lands. Following that direction from trustees, this regulation package was developed in coordination with our Advisory Boards and the Department of Law, and has undergone a 30-day public comment period, during which no comments were received. Should these proposed changes to regulations be adopted by the trustees, they will be sent to the Department of Law and the Governor's office for final review and approval; if approved, they will be sent to the Lt. Governor's office for filing and publication.

Adoption of the proposed changes to 20 AAC 40.610 is recommended.

BACKGROUND

Trustees have a fiduciary responsibility to appropriately allocate revenues derived from trust lands to either principal or income. Existing regulations (20 AAC 40.610) set how that allocation is to occur. The existing regulations do not anticipate the need to recover development costs associated with revenue generating activities on Trust lands. Such development costs can be drawn from a subset of the Trust Settlement Income Fund. The Trust Settlement Income Fund is also where the Trust draws funds for beneficiary programs and administrative costs in alignment with the Comprehensive Integrated Mental Health Plan.

Following that direction from trustees, the Trust has proposed to adopt changes in Title 20 of the Alaska Administrative Code, specifically 20 AAC 40.610 dealing with the allocation of revenues earned by the Trust Land Office between Trust principal and income. Alaska Statute (AS

Trust
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37.14.031(d)) requires the Trust to develop regulations pertaining to the allocation of revenues, and a change to our revenue allocation is consistent with the legal settlement agreement that created AMHTA in 1994.

The revised regulations would allow the board of trustees to allocate "net" proceeds from land sales and resource transactions to principal, where it is invested for the long-term benefit of AMHTA beneficiaries. This allows the Trust Settlement Income Funds to be used to enhance revenue from trust lands management, some of which will be returned to income, and hence available for programs and expenses, while the remaining revenue will continue to be invested in principal.

The result of this change in regulations will, for land sales to which this new provision is applied, increase the amount of income that is available for the board of trustees to allocate toward the management of the Trust or advocacy and programs that directly serve Trust beneficiaries. This change also allows trustees to better balance current and future beneficiary needs by returning income spent to generate revenue back to income for additional development or current programs, while still growing Trust principal and land values that will support long term beneficiary needs

As a part of the regulation adoption process, Trust staff engaged with our statutory advisory boards, who represent our beneficiaries. Trust staff also worked closely with the department of law in the development of the proposed changes to the regulations, as well as the accompanying materials that provide additional information about what the proposed changes do and why they are being sought. It was important to the Trust that the information about the proposed change was clear and meaningful to our stakeholders and the public.

In addition, the proposed changes were noticed for public comment. As a part of that process, notice was published in the Anchorage Daily News, on the State of Alaska's Online Public Notice system, as well at the Trust's website. It was also sent directly to the Advisory Boards, all incumbent Alaska state legislators, and the Department of Law. During the 30-day comment period that ended on July 31, 2020, no questions or comments were received.

Here is a link to the public notice: https://aws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=198703

Attachments to this memo are the same that accompanied the public notice:

- Proposed revisions to 20AAC 40.610
- A letter from the Trust CEO regarding the proposed revisions

Trust
Land Office

2600 Cordova Street, Suite 201
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To:	John Sturgeon, Chair Resource Management Committee
From:	Katie Vachris, DBA
Date:	7/25/2023
Re:	Subdivision Development Program
Fiscal Year:	2024-2028

Approval

Proposed RMC Motion:

"The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the proposed action to fund the statewide Subdivision Development Program from the Trust Land Office Development Account (TLODA) with $3M. These funds do not lapse."

Background:

Transaction/Resource: This request is presented with the primary objective to maximize the return for the Trust. The Trust Land Office Subdivision Development Program is a broad portfolio of TLO initiated activities which may include commercial, mixed-use, and residential real estate projects including subdivision coordination, design, and disposal on statewide Trust lands.

The initial start-up expense is $3 million for the first five years (FY24-28) with that cost being recovered through the cost recovery process under 20 AAC 40.610.

Property Description: Statewide Trust lands in table below (Project A-T).

Project	Parcel Number
A	SM-0050-b
B	S20565, S20562, S34011, S20564, S20561, S20558, S20557, S20559, S20556, S20560, S20554, S20553, S20555
C	C32033
D	C20446, C20456.002, C20424.001, C20447, C32026
E	C20550.001
F	S20565, S20562, S34011, S20564, S20561, S20558, S20557, S20559, S20556, S20560, S20554, S20553, S20555
G	C32033

H	C20446, C20456.002, C20424.001, C20447, C32026
I	SM-2110
J	S20057, S20054, S20055, S20056, S20058, S20059, S20060
K	S20549
L	C20550.001
M	CRM-7061
N	C20446, C20456.002, C20424.001, C20447, C32026
O	CRM-2402
P	C20550.001
Q	S20558, S20557, S20559, S20556, S20560, S20554, S20553, S20555
R	CRM-7061
S	CRM-2402
T	S20525

General Background:

The TLO Land Sale programs have been disposing of property as a significant percentage of the revenue return since 1994. In this time, the TLO has generated over $152 million in land sales revenues while disposing of less than 3% of the Trust's one million acres of lands. The history of the TLO Land Sale program centered on land tracts which were subdivided prior to Trust management. Through time, the TLO has disposed of most of the smaller subdivided land tracts and the Trust land portfolio is now primarily comprised of large tracts of land statewide.

Strategically, the TLO is identifying new and creative ways to diversify the revenue stream. The Subdivision Development Program is designed is to identify parcels with strategic value for residential, commercial, or mixed-use purposes. The program will master plan and market these parcels to ensure Trust lands are developed to their highest and best use to maximize the return on these assets. A master plan for a particular site is a dynamic long term planning document providing a conceptual layout to guide future growth and development. These are used in both large-scale community planning as well as smaller scale residential and/or commercial developments to help direct strategic decision making over a period of time. Determining an appropriate marketing strategy will enable the Trust to ensure we are able to gain maximum exposure for these projects and attract customers who are able to provide a maximum return for the Trust.

The TLO has identified two areas of focus as part of the statewide Subdivision Development Program:

1) Residential
2) Commercial/Mixed-Use

While the target clients differ within these categories, generally the process for achieving results and maximizing revenue remains similar.

TLO staff evaluate parcels with consideration of factors such as the absorption rate, current and forecasted market conditions, and economic outlook of communities, regions, and Alaska as a whole. When a project is identified as potentially feasible, it is evaluated in light of the risk of failure and impact to the program as well as the upside in increased revenue return to the Trust and its beneficiaries.

Alaska, and indeed the nation, faces a housing crisis dating back multiple decades. Statewide, communities are experiencing a critical shortage in housing at all price points. Builders and municipalities struggle to find available land on which to fill that gap. The Trust is in a unique and optimal situation with its vast land holdings within and adjacent to many of these communities. This is especially true in the Mat-Su Valley which is the only area in Alaska with a positive net migration this year. Healthy economies are marked by development and new housing starts, and the Trust holds prime land within many communities making it a key supplier for economic development across the state.

Similarly, these land holdings are not only prime for residential housing developments, but also more broadly for commercial use. Many of the Trust's large parcels situated in or adjacent to communities provide potential for businesses to place roots, create economic transactions, and grow the state's GDP.

The Subdivision Development Program is intended to be a long-term program and function more as a capital budget. Historically subdivision work was funded through the TLO administrative budget and those costs have not been recoverable to date. With the money in this request, TLO staff will be able to begin pursuing projects in FY24. Depending upon the size and nature of a project, revenue returns may take anywhere from 18-48+ months to begin to be realized, at which point a cost recovery would engage and revenue would be appropriately distributed between Income and Principal.

Common expenses in a subdivision development project may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, survey, platting, marketing, infrastructure improvement, construction, and other site-specific expenses project dependent.

In accordance with statutes and regulations for Trust land management (AS 37.14.009(a)(2)(c), 11 AAC 99.030(3)), the TLO shall consult with the Trust on all disposal actions. The delegation of consultation is as follows: a CEO consultation for disposals less than $250,000; an RMC consultation for disposals between $250,000 and $1,000,000; and a Full Board of Trustees consultation for all disposals anticipated to return over $1,000,000. The Subdivision Development Program parcels will follow the required consultation prior to disposal, as well as, the Best Interest Decision process.

Any discussion of funding requires an acknowledgement of risks for failure. Projects identified as candidates for this program will be thoroughly vetted by TLO subject matter experts. TLO staff work with local survey and engineering contractors to conduct prefeasibility studies on any potential project.

These studies consider conditions on the ground such as elevation, wetlands, and community and platting authority requirements to identify what minimum investment might be required to bring a project to fruition. Staff consider market and economic conditions to determine the likely revenue generated from a project. With the prefeasibility reports along with the market condition detail, TLO staff can make informed decisions prior to encumbering a significant amount of money. TLO staff systematically move forward one step at a time, and each phase of development provides an opportunity to consider the proforma to determine whether to proceed to the next step of development, dispose of the land, or put the project on hold entirely.

The following Subdivision Development Program five-year program is recommended:

- Year 1 (FY2024): Projects A-E located statewide. A budget of up to $1M should be sufficient. Anticipated expenses may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, marketing, infrastructure improvement, construction, trespass abatement and mitigation, and other site-specific expenses project dependent.

- Year 2 (FY2025): Projects F-L located statewide. A budget of up to $1.1M should be sufficient. Anticipated expenses may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, marketing, infrastructure improvement, construction, trespass abatement and mitigation, and other site-specific expenses project dependent.

- Year 3 (FY2026): Projects M-P located statewide. A budget of up to $200,000 should be sufficient. Anticipated expenses may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, marketing, infrastructure improvement, construction, trespass abatement and mitigation, and other site-specific expenses project dependent.

- Year 4 (FY2027): Projects Q-S located statewide. A budget of up to $650,000 should be sufficient. Anticipated expenses may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, marketing, infrastructure improvement, construction, trespass abatement and mitigation, and other site-specific expenses project dependent.

- Year 5 (FY2028): Project T located in the Mat-Su Valley. A budget of up to $50,000 should be sufficient. Anticipated expenses may include pre-feasibility analysis and reports, feasibility studies (usually involving fieldwork), appraisals, marketing, infrastructure improvement, construction, trespass abatement and mitigation, and other site-specific expenses project dependent.

These projects may be subject to change as more information is identified through the development process and annual updates will be provided to Trustees in the RMC.

These projects are anticipated to increase the value of the existing land holdings upon disposal of the property after development. All expenditures associated with the projects will be tracked using a project specific tracking sheet and reconciled annually for audit and tracking purposes.

Cost Recovery Plan

20 AAC 40.610 allows the Trust to approve a plan to recover development costs from resource transactions when those costs are used to enhance the value or marketability of the land. Per 20 AAC 40.610 this is a cost recovery plan for investment options in the Subdivision Development Program. Financing will be provided by the Trust Land Office Development Account (TLODA) and upon recovery will be paid back to income and principal as appropriate. This provides the Trust the opportunity for additional spendable income in future years that has not previously been available.

The TLO estimates $3 million to be spent over the next five years to complete priority identified development projects. This Program is intended to continue in the long term past this five-year plan when new opportunities arise for subdivision development.

Anticipated Revenues/Benefits: This proposal allows the Trust Land Office to pursue greater returns than would be feasible simply by waiting for an interested party to purchase large tracts of raw land. By improving the land consistent with its highest and best use, TLO will be able to realize greater returns for years to come.

Projects A-T are anticipated to provide $30M amount of return to the Trust though this may fluctuate based on further refinement of the subdivision projects through due diligence work and other market factors. The TLO will prepare these sites for disposal; however, it should be noted this return is expected to start to be realized post subdivision completion (as early as 2026) and it is anticipated that the most all revenues will be collected by 2031.

Anticipated Risks/Concerns: Expenditures for development activities are investments for the Trust. While this type of investment involves risk, the potential returns could be greater than if these lands were not improved. The TLO will mitigate risk by continually evaluating a project’s potential return before moving to the next phase of development.

The primary risks to the Trust are whether it will recover the amount initially invested in the Project and whether the Trust will receive the maximum returns possible by developing these land holdings. The TLO manages risk for the Trust on both fronts and has been doing so over the life of the TLO. These costs have been historically in the placed in the administrative budget – however this specific work is more of a capital expense and was anticipated by the approval of the Cost Recovery Regulations that subdivision work was a prime project for cost recovery.

There is a high likelihood that not investing in the development of Trust land holdings may prohibit obtaining the highest return on the asset. There is risk in not funding this Subdivision Development Program as proposed as the Trust may not receive maximum returns for the land holdings for future generations. When disposing of a large unimproved parcel, the appraised value is less than that of an improved parcel. Additionally, this shifts the risk of the project to the purchaser who will seek to purchase for a lower value to accept that risk. Because the Trust holds these lands at a $0 basis, pursuing some level of improvement allows the Trust to charge a premium for the improved land and a buyer will be more likely to pay that premium knowing their risk is reduced at time of purchase.

Project Costs: $3 million for the Subdivision Development Program over the course of the next 5 years. Staff time will be paid out of the TLO administrative budget.

Other Considerations: This project expands and diversifies how the TLO enhances Trust land holdings, making parcels more marketable for individuals, corporations, and communities to promote economic development statewide to generate maximum revenue returns to the Trust's beneficiaries statewide.

Due Diligence: TLO staff are familiar with the development potential of Trust surface estates in multiple communities. They have researched and inspected multiple parcels to-date and have identified priority parcels as well as future priority parcels which may become worth pursuing. Before any project is initiated, staff are evaluating market conditions, economic conditions, community needs and wants, and potential customers. Parcels are inspected to determine general suitability and a contractor is hired to conduct a prefeasibility study as mentioned previously. Staff work with local appraisers to determine the value of the land prior to improvements to gain a baseline understanding of the initial value. Additionally, staff maintain a proforma to identify financial feasibility of project pursuit and continue to refine that proforma throughout the project.

Projects A-T have been identified as land that will become more valuable once subdivided. They are in areas of high demand and the estimated sale price of the parcels once subdivided will exceed the current value. These projects have not been realized to date due to lack of funding and staff dedicated time to specific subdivision projects. TLO land sales are at an all time high. The land sale program relies on and is successful by providing parcels in markets that are in a higher demand with a higher price point. The TLO expects to put parcels on the market as early as 18 months and anticipates seeing returns immediately once the subdivision is complete and the parcels make it to market. Though not all lots will likely sell in all scenarios in an effort to not flood the market and lower the price point for each.

Alternatives: The alternatives include continuing to manage parcels as previously managed, placing these large parcels in the competitive land sale program. It is unlikely the Trust would receive interest in purchasing these raw parcels, and certainly would not maximize the revenue potential by pursuing this alternative.

Additionally, the smaller parcels which remain are finite, and without replenishing these small parcels, the Land Sale program will be unable to continue generating significant returns into the future as there will be no inventory to sell to individual customers.

Consistency with the Resource Management Strategy: The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted October 2021 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets.

Trust Land Office Recommendation: The Trust Land Office recommends that it is in the Trust's best interest to provide funds from the TLODA to launch the Subdivision Development Program utilizing Cost Recovery regulations once disposed of.

Applicable Authority: Alaska Statues AS 37.14.009(a), AS 38.05.801, 11 AAC 20 40.610; 11 AAC 99; Resource Management Strategy.

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

Trust Land Office

2600 Cordova Street, Suite 201
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To:	John Sturgeon, Chair Resource Management Committee
From:	**Jusdi Warner**
Date:	7/25/2023
Re:	Mineral Potential Evaluation Program
Fiscal Year:	2024-2028

Approval

Proposed RMC Motion:

"The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the proposed action to fund the Mineral Potential Evaluation Program from the Trust Land Office Development Account (TLODA) with $1.5M. These funds do not lapse.

Background:

Transaction/Resource: It is critical for the TLO to bring mineral projects online and accelerate development by doing the necessary reconnaissance work and initial data collection. Mineral development is key for future revenue generation. This request is presented with the primary objective to maximize the return for the Trust. The Trust Land Office Mineral Potential Evaluation Program is a five-year reconnaissance program that will be on "brownfields" Trust parcels. That means reconnaissance sampling on Trust land not currently leased in close vicinity to known prospects or producing mines, in other words the Fairbanks Mining District as well as the Healy area (Liberty Bell). "Greenfields" (remote areas) reconnaissance sampling is of lesser priority.

The initial start-up expense is $1.5 million for the first five years (FY24-28) with the costs being recovered through the cost recovery process under 20 AAC 40.610.

Property Description: Statewide Trust lands.

General Background: The TLO manages one million acres of land, but for the vast majority no credible geological, geochemical, and geophysical data or geoscientific information is available that allows for a determination and evaluation of mineral potential and occurrence of mineral deposit types. Without proper knowledge of mineral potential, valuing the land/resource, marketing, selecting suitable partners for mineral resource development, and negotiating a lease maximizing returns is almost impossible. The TLO's mandate is to generate revenue through mineral development, therefore, the TLO needs a clear understanding of the mineral potential of Trust land to make the best possible business decisions. Reconnaissance sampling and prospecting on selected Trust parcels is recommended.

Reconnaissance is the preliminary examination of the general geological features and characteristics of an area. Systematic investigation in the reconnaissance stage comprises of geological mapping, outcrop sampling, geochemical sampling, and preliminary geophysical surveys. Remotely sensed data, conventional and digital mapping, and digital elevation models provide a wealth of information on geological and structural details that aid in the identification of areas likely to host economic mineralization.

The plan outlines strategic areas of interest for reconnaissance sampling, meaning rock chip, soil and stream sediment sampling, and geological bedrock mapping. Reconnaissance sampling along with geological bedrock mapping will delineate areas of anomalous mineralization, whether gold, silver or base metals occur and will also lead to the discovery of mineral occurrences. These can either be further investigated by TLO or by suitable industry partners. The ability to demonstrate mineral potential will significantly increase the marketability of Trust land which will lead to further mineral exploration, drilling, and ultimately to deposit development.

A budget of $1.5M spent over five years will be sufficient for reconnaissance sampling of strategic areas. The reconnaissance programs will be designed by the TLO’s Chief Geologist and approved by the TLO’s Executive Director. Execution of the field work programs will be conducted by an exploration contractor under the supervision of the Chief Geologist and according to NI43-101 guidelines.

A five-year contract with an exploration contractor on an “as-needed basis” is recommended as this allows for most flexibility, not only geographically, but also timely. There are at least five mineral exploration contract companies in the State of Alaska that have the required experience and personnel needed to execute the programs. The sooner we go out with an RFP to select a suitable contractor, the sooner we can get on their schedule and secure their availability for the field seasons.

The following five-year Mineral Potential Evaluation Program plan is recommended:

- **Year 1 (2024):** Reconnaissance geochemical sampling and geologic mapping on the parcels in the Ester area (Fairbanks), possibly also on some parcels to the south. This first phase program is aimed at delineating gold and pathfinder element anomalies and should demonstrate the mineral potential for those areas. A budget of up to $300K should be sufficient.

- **Year 2 (2025):** Reconnaissance geochemical sampling and geologic mapping on Trust parcels in the Fairbanks area currently not leased. The focus will be on parcels large enough for mine development and necessary mine infrastructure. A budget of up to $300K should be sufficient.

- **Year 3 (2026):** Reconnaissance geochemical sampling and geologic mapping on the Liberty Bell land block in the Healy area. The focus will be on the area adjacent to the old Liberty Bell gold mine and on an area to the east that contains a known antimony occurrence. Antimony is a critical mineral. The target at Liberty Bell is intrusion-related gold mineralization of the Fort Knox type and skarn mineralization similar to Contango ORE’s/Kinross’ Peak Zone (Manh Choh project). A budget of up to $300K should be sufficient.

- **Year 4 (2027):** Reconnaissance geochemical sampling and geologic mapping on the Thorne Bay land block. Thorne Bay represents excellent exploration potential for iron, copper, and gold of the IOCG type. Recent exploration success by a junior exploration company on land near the Block support this. A budget of up to $300K should be sufficient.

- **Year 5 (2028):** Reconnaissance geochemical sampling and geologic mapping on the northern Haines block. The geochemistry should show potential for orogenic gold mineralization as well as base metal mineralization. A budget of up to $300K should be sufficient.

All expenditures associated with the projects will be tracked using a project specific tracking sheet and reconciled annually for audit and tracking purposes.

Cost Recovery Plan: 20 AAC 40.610 allows the Trust to approve a plan to recover development costs from resource transactions when those costs are used to enhance the value or marketability of the land. Per 20 AAC 40.610 this is a cost recovery plan for investment options in the Mineral Potential Evaluation Program. Financing will be provided by the Trust Land Office Development Account (TLODA) and upon recovery will be paid back to income and principal as appropriate. If this was paid for from the yearly administrative budget these costs would not be recoverable. This provides the Trust the opportunity for additional spendable income in future years that has not previously been available.

The TLO estimates $1.5 million to be spent over the next five years to complete priority identified mineral potential evaluation projects. Presently, the precise duration of time between reconnaissance sampling and cost recovery is unknown, as that will be based on the data produced and market fluctuations, however cost recovery could begin thru a lease as early as 18 months post results.

Annual updates on the program will be provided to the RMC.

Anticipated Revenues/Benefits: Without proper knowledge of mineral potential, marketing and finding a suitable developer/partner is almost impossible. The Trust needs a clear understanding of the mineral potential on its land. This proposal allows the Trust Land Office to pursue greater returns than would be feasible simply by waiting for an interested party to invest in Trust land. This program supports accelerated development of a mineral project by doing the reconnaissance work ourselves. Mineral development is key for future revenue generation and in line with the Resource Management Strategy.

Potential and future lessees would be required to compensate the Trust for the reconnaissance sampling work through this program as part of the lease.

Anticipated Risks/Concerns: Expenditures for the evaluation of potential minerals is an investment for the Trust. While this type of investment involves risk, the potential returns could be greater than if these lands were not sampled. The TLO will mitigate risk by continually evaluating a parcel's potential return.

The primary risks to the Trust are whether it will recover the amount initially invested in the Project should there be no mineral resource present. Data is valuable and will provide the TLO information needed to move to the next step in maximizing revenue from Trust land. If there is no mineral resource then the TLO may move in a different direction in an effort to maximize revenue.

There is a high likelihood that not investing in this Mineral Potential Evaluation Program thru reconnaissance sampling that the TLO would not be able to turn a nonperforming asset into a performing asset thereby obtaining the highest return on the asset to the Trust.

Project Costs: $1.5 million to fund the Development Account. The TLO suggests $250-300K per year should be sufficient, though that may change if the TLO finds more efficiencies and cost saving measures which could result in shortening this project from 5 years to less than 5 years.

Other Considerations: This project expands and diversifies how the TLO enhances Trust land holdings, making parcels more marketable for mineral exploration to promote economic development across all Trust lands to generate maximum revenue returns to the Trust's beneficiaries statewide.

Due Diligence: The reconnaissance programs will be designed by the TLO's Chief Geologist and approved by the TLO's Executive Director. Execution of the field work programs will be conducted by an exploration contractor under the supervision of the Chief Geologist and according to NI43-101 guidelines.

Alternatives: The alternatives include continuing to manage parcels as previously managed and waiting for investment to come to us. This is not proactive and has proven to not be profitable to the Trust.

Consistency with the Resource Management Strategy: The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted October 2021 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets.

Trust Land Office Recommendation: The Trust Land Office recommends that it is in the Trust's best interest to fund and launch the Mineral Potential Evaluation Program with future deposits coming through the Cost Recovery Program or through additional approval from the Board of Trustees.

Applicable Authority: Alaska Statues AS 37.14.009(a), AS 38.05.801, 11 AAC 99; 11 AAC 20; Resource Management Strategy.

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

Trust
Alaska Mental Health Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
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MEMO

To: John Sturgeon – Resource Management Committee Chair
Date: July 25, 2023
Re: Request to Lease Trust Land at Less than Fair Market Value
Fiscal year: FY24
Grantee: The Salvation Army, a California corporation
Project Title: The Salvation Army Less than Fair Market Value Lease

REQUESTED MOTION:

The Resource Management Committee recommends the Full Board approve the annual lease rent of $15,701.48, with a 10% rent increase every 5 years, for a 25-year ground lease of Tract 1-A, according to the plat of Tracts 1-A and 4-A, Community Park Alaska Subdivision / Trust Parcel SM-1520, in Anchorage, Alaska to The Salvation Army.

Assigned Program Staff: Eric Boyer

STAFF ANALYSIS

The Salvation Army (SA) is requesting this below fair market value lease amount for the property on East 20th (ADL 34810/MH Parcel SM-1520) in Anchorage on Trust lands in the Community Park Subdivision. The SA has a current lease agreement that ends in October of 2023. The SA would like to renew its lease agreement with the Trust Authority, through the Trust Land Office, for 25 years for the annual amount of $15,701.48 with a 10% rent increase every 5 years. The SA currently provides outpatient and day treatment services to Trust beneficiaries at this property. The SA is also looking to expand its services at the site to include a 30-bed Transitional Housing Program for women in their Clitheroe Program, allowing graduates of intensive addiction treatment programs to step down to this program.

The SA sent a letter to the Trust Authority staff requesting a long-term lease at below market value under 11 AAC 99.110 and 20 AAC 40.710 to continue providing outpatient treatment services to Trust beneficiaries. The expansion of a 30-bed transitional housing program for women is expected to open later in 2023. The buildings for these services already exist on the property and are used to provide services to Trust beneficiaries. It is expected that all residents in the transitional housing, as well as those receiving outpatient treatment, are Trust beneficiaries, with the largest percentage experiencing mental illness and addiction. Trust Authority Office staff has determined that sufficient information was provided by the organization, per by 20 AAC 40.710, to warrant a below-market value lease, and that the project aligns with the Mental Health and Addiction Intervention focus area to serve Trust beneficiaries. This project aligns with the

Comprehensive Integrated Mental Health Program Plan, Goal 4: Substance Use Disorder Prevention, Objective 4.3: treatment and recovery access.

The SA has met with local community councils about the proposed plans for this parcel, which were supported by both the councils and the public attending the meetings. Trust program staff attended the Airport Heights Community Council meeting on May 18, 2023. One community member stated, "more services like this need to be provided to meet the substance use disorder needs of the city."

The Salvation Army request is recommended for approved use of Trust land at less than fair market value under 20 AAC 40.710.

COMP PLAN IDENTIFICATION

Goal	Objective	Comments
Goal 4 Substance Use Disorder Prevention	4.3 Treatment & recovery access	

PROJECT DESCRIPTION

The following is excerpted from the prospective grantee's application.

PROJECT DESCRIPTION

The Salvation Army Alaska seeks a below fair market lease agreement for the property on East 20th (ADL 34810/MH Parcel SM-1520) to support the behavioral health community-based services located on this parcel. The target service population will be adult beneficiaries, ages 18 and over, experiencing drug/alcohol addiction, mental health issues, and older adults with cognitive disabilities. The following services are currently being delivered at this location.

1. The Salvation Army Serendipity Adult Day Services program provides a safe and comforting environment with cognitive-enhancing social activities for older adults. Our staff recognizes that individuals are not defined by disease or disability but by their uniqueness as human beings. We value each person's abilities and acknowledge their contributions. As such, the need for love, comfort, inclusion, identity, occupation, and attachment are respected as universal needs throughout life. Serendipity incorporates these universal needs into everyday programming to ensure each guest has many successful daily interactions.
2. Clitheroe Outpatient services are designed for individuals with substance abuse issues that can be effectively addressed outside of a residential program or aftercare for those who have completed residential treatment. The Outpatient Program provides family services, counseling, and support for those who would benefit from outpatient treatment, have completed inpatient treatment, need continuing care, or do not in need inpatient treatment.
3. The Salvation Army Clitheroe Outpatient Services offer Moral Reconation Therapy (MRT) group meetings as a component of their community-based services.
4. In FY 24, an expansion of transitional housing will be added to the East 20th campus, and it is projected to serve a minimum of sixty-four participants annually. With the engagement of family systems, and with an average family size of 3.28 individuals, the program would support and assist a total of 209 individuals annually in the Anchorage Borough.

The facility at 3600 20th Avenue will be a 3.1 level transitional housing program for those coming out of either the Clitheroe Center at Point Woronzof or 660 E. 48th Avenue. The individuals will have completed a 30-, 60- or 90-day drug and alcohol treatment program and will be looking to transition into a full or part-time position. Residents of 3600 will receive support through ongoing counseling at The Salvation Army's Clitheroe Outpatient program, which is on the same campus. The Army's treatment programs are open to those from throughout the state of Alaska, however, the primary referral areas are Anchorage and MatSu Boroughs.

The Salvation Army has loyal partners and donors throughout the state. We have realized support from foundations and corporations such as Rasmuson Foundation, First National Bank Alaska, ConocoPhillips, and Wells Fargo. We will be discussing this 3.1 transitional housing program with them in the days ahead.

The primary outcome of the program will be to provide ongoing support to those who have successfully completed the initial drug and alcohol treatment program and assist them with moving forward as productive citizens.

PARCEL DESCRIPTION

The parcel involved in the proposed use is SM-1520 and is legally described as: Tract 1-A, according to the plat of Tracts 1-A and 4-A, Community Park Alaska Subdivision, located in the NE ¼, SE ¼, Section 21, Township 13 North, Range 3 West, Seward Meridian. Containing 4.54 acres, more or less.

The parcel is located at the southwest corner of E. 20th Avenue and Nichols Street, and the primary recorded street address by the Municipality of Anchorage (MOA) is 3550 E. 20th Avenue in Anchorage, AK. It is currently zoned PLI – Public Lands and Institutions by the MOA, which is "intended to include major public and quasi-public civic, administrative, and institutional uses and activities". The Community Park Loop (CPL) Master Plan and Assessment completed in 2021 examined the current uses of the Trust's ownership in the area, including the SA lease (ADL 34810) which has been active for the past 55 years. The CPL Master Plan recommended maintaining the current use for the SA leased area at a less than Fair Market Value lease.

In June of 2023, the TLO had the land value of the parcel appraised by Black-Smith, Bethard & Carlson, LLC. The parcel is currently a developed parcel containing three main separate wood framed single-story building that were constructed, and are owned, by the SA. The appraisal used a sales comparison approach of similar properties within the region that recently sold and determined the fair market value of the parcel to be $1,188,000.00. A ground lease for this type of parcel in this market area would likely be 8% of the appraised fair market value for the annual rental, making the estimated fair market lease rental $95,040 annually.

EVALUATION CRITERIA

The Salvation Army Alaska utilizes multiple mechanisms to assess performance. Service delivery data is primarily captured within the Well Sky, AKHMIS, and the State of Alaska GEMS portals.

Data is recorded monthly and typically submitted during the quarterly reporting standards. Within these portals a diverse and unique set of qualifiers will generate appropriate service units. Additionally, the Community Relations Department at SA facilitates a compliance component that monitors and reports on program functions, practices, and performance standards. Lastly, self-report by program participants is a highly effective and efficient process to determine program success across the full intervention process. While inexpensive to administer, self-reporting affords the respondent the opportunity to provide broad and relevant data and narrative in a short amount of time.

Specifically, The Salvation Army will seek to identify performances outcomes that reflect nationally recognized best practice standards, accurately captures program challenges and solutions, adheres to the State of Alaska substance use disorder performance standards and practices, reflects the full scope of services provided, and ensures exceptional stewardship of funding. Those will include but not be limited to program attendance, treatment completion, family system participation, conditions that adversely impact recovery, recidivism, wait list challenges, and/or health concerns that cannot be supported within the Level 3.1 model of care. Program reports are reviewed monthly, quarterly, and annually.

SUSTAINABILITY

The Salvation Army bills Medicaid 1115 waiver services as well as private insurance. The Salvation Army is also a Community Behavioral Health Grantee of the Alaska Division of Behavioral Health. The Salvation Army also has a robust network that relies on the giving of community members and various benevolent funders, all for the purpose of supporting Alaskans in community-based treatment and recovery services.

WHO WE SERVE

The Salvation Army treats Trust beneficiaries who are experiencing drug and alcohol addiction and mental illness, and who seek intervention. For people with substance use disorders (SUD) who seek treatment, gainful employment is strongly linked to better recovery outcomes. Obtaining and maintaining employment helps clients establish a legal source of income, structure their time, and enhance self-esteem, which in turn may greatly reduce substance abuse and criminal activity. Additionally, education, certifications or licensure can support clients while they establish themselves as a person in recovery and it improves their employment prospects for long-term SUD recovery.

ESTIMATED NUMBERS OF BENEFICIARIES SERVED EXPERIENCING:

Mental Illness:	70
Substance Abuse	70
Secondary Beneficiaries (family members or caregivers providing support to primary beneficiaries):	209

Attached Exhibits:

1. 2021 RMC & Board of Trustees Meeting Community Park Loop Leasing Revenues Item
2. Trust Authority Suitability Request Letter
3. Trust Land Office Suitability Letter

Memorandum

To: Chris Cooke, Chair of the Board of Trustees
Through: Mike Abbott, Chief Executive Officer
From: Wyn Menefee, Executive Director
Date: **May 14, 2021**
Subject: April 22nd, 2021 – Resource Management Committee Meeting Summary

Trust Land Office

The Resource Management Committee met on April 22nd, 2021, received a brief update of key TLO activities from the Executive Director Report. The committee was scheduled to receive one (1) Approval and four (4) Consultations presented by TLO staff.

***Board Action Required**: The following proposed actions requiring full board of trustees' approval were recommended to the full board of trustees at the April 22nd RMC Meeting:*

Meeting Summary:

1. **Approval Item 1 – Community Park Loop Leasing Revenues**

   MOTION: *"The Alaska Mental Health Trust Authority board of trustees direct the TLO to consider use of some Trust lands at Community Park Loop for beneficiary-oriented uses with below market rents and/or other revenues. Specific lease arrangements will still require trustee approval at a later date as described in 20 AAC 40.710 and 11 AAC 99."*

   Anticipated Revenues/Benefits: This motion does anticipate revenue for the Trust via these beneficiary serving organization leases, though likely considerably below fair market rent. The potential benefit to these organizations could be as high as $770K (annually as measured in 2028) if all lease payments are forgone.

2. **Consultation Item A – Resource Management Strategy, 4th Edition**

   MOTION: *"The Alaska Mental Health Trust Authority board of trustees concur with the changes proposed for the Resource Management Strategy, 4th Edition."*

   Anticipated Revenues/Benefits: Appropriate management of Trust owned assets ensures that Trust principles described in 11 AAC 99.020 are fulfilled. Managing Trust assets according to the strategies and goals described in the RMS will guide the TLO in making decisions that are in the best interest of the Trust and its beneficiaries. This should guide the TLO toward a path of increasing revenues, protecting the corpus, and being responsive to the Board's Asset Management Policy Statement.

3. **Consultation Item B – Golden Summit Expansion – MHT 9400745**

MOTION: *"The Alaska Mental Health Trust Authority board of trustees concur with the decision to issue a negotiated mineral lease for exploration and development at the Golden Summit Project near Fairbanks, Alaska on parcel F70015."*

Anticipated Revenues/Benefits: Revenues from this proposal will be received as annual rent (income) and are commensurate with neighboring mineral agreements on Trust lands. Should the property be developed in the future, a net royalty would be received (principal) based on the price of gold, likely ranging from 1% to 4.5%.

The primary benefit to this proposal is access to gain exploration data on Trust lands and the potential royalty received should the project be developed. The 2016 Preliminary Economic Assessment anticipates a 24-year mine life producing an average of just under 96,000 ounces of gold per year, however, recent drilling in 2020 will significantly upgrade these early estimates and drilling adjacent to the Property recommenced in February 2021. Positive drilling results on adjacent private/state lands increases the potential for similar results from Trust lands. Facilitating additional drilling and modeling is required to estimate the royalty potential of Trust lands.

4. **Consultation Item C –Ester Dome Project – MHT 9400748**

MOTION: *"The Alaska Mental Health Trust Authority board of trustees concur with the decision to issue a negotiated mineral lease for exploration and development at the Ester Dome Project and Trust lands described and attached hereto in Exhibit D surrounding Fox, Pedro Dome and Cleary Summit."*

Anticipated Revenues/Benefits: Revenues from this proposal will be received as annual rent (income) for up to three three-year terms with a production-based option to extend. Should the property be developed in the future, a net royalty would be received (principal) based on the price of gold, likely ranging from 1% to 4.5%.

The primary benefit to this proposal is the acquisition of an exploration database from Range Minerals' work at Ester Dome on Trust and surrounding lands and the potential royalty the Trust would receive should the project be developed. A penalty payment of $75,000 will be assessed on the agreement should the database requirement not be timely fulfilled.

5. **Consultation Item D – West Naukati Young Growth Timber Sale – MHT 9101044**

MOTION: *"The Alaska Mental Health Trust Authority board of trustees concur with the disposal of the young growth timber in the West Naukati area, through competitive timber sale on Trust Land on Prince of Wales Island."*

Anticipated Revenues/Benefits: The timber sale is expected to generate approximately $2,300,000 in revenue in Fiscal Year(s) 2022 and 2032. Harvest of timber will maximize revenue while providing for timber regeneration and future timber harvests.

cc: *Board of Trustees*
Mike Abbott, CEO Alaska Mental Health Trust Authority
Wyn Menefee, Executive Director, Trust Land Office

2600 Cordova Street, Suite 201
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To:	John Sturgeon, Chair Resource Management Committee
From:	Jusdi Doucet
Date:	4/22/2021
Re:	Item 1 – Community Park Loop Leasing Revenues
Fiscal Year:	2021

Proposed RMC Motion:

"The Resource Management Committee recommends that the Trust Authority board of trustees direct the TLO to consider use of some Trust lands at Community Park Loop for beneficiary-oriented uses with below market rents and/or other revenues. Specific lease arrangements will still require trustee approval at a later date as described in 20 AAC 40.710 and 11 AAC 99."

Background:

Transaction/Resource: Within five years, three leases of Trust property within the Community Park Subdivision will expire. The board of Trustees must decide what should be done with the three expiring leases if that use includes below market rents. The three lease expiration dates and tenants are as follows:

- 10/01/2023 Salvation Army (SA)
- 04/30/2026 Catholic Social Services (CSS)
- 06/30/2026 Assets Inc.

The three leases (Salvation Army, Catholic Social Services, Assets Inc) are recommended through this motion for beneficiary-oriented uses with below market rents and/or other revenues.

The motion recommended for below market rents is consistent with the current lease arrangements. For decades the subdivision has evolved to provide support to these tenants, all beneficiary serving organizations, though free or nearly free use of the lands and facilities. Revenue generation on the subdivision over those years has not been a focus of the Trust. Instead, the use provided via the land thru the leases to the beneficiary organization is where the Trust has realized value.

On January 29, 2020 the Board of Trustees directed the TLO to develop plans for revenue generation in the Community Park subdivision balanced with support for the beneficiary serving organizations. The motion recommended is the first step in following that direction. The leases and existing properties, within the context of the subdivision, were studied for revenue generating potential and found to be best suited in their current use as beneficiary-oriented use. It was found that relocating or disturbing the current tenants for revenue generating purposes came with a significant cost to the beneficiary serving organizations. In all cases that cost to the organizations was higher than any potential revenue to the Trust. Revenue generation efforts will be focused on the approximately 750,000 square feet (17.25 acres) of vacant Trust owned land adjacent these leased properties.

Property Description/Acreage/Location/Address/MH Parcel(s):

Salvation Army

- Property: A developed parcel containing 3 separate wood framed single-story buildings. The Trust owns the land, the Salvation Army constructed and owns the buildings.
- Area: 197,955 square feet, 4.55 acres
- Address: 3550, 3600 and 3630 East 20th Avenue, Anchorage, Alaska
- Location: Grid SW1535, Community Park Subdivision, Tract 1A
- MH Parcel: SM-1520
- ADL# 032810-7

Catholic Social Services

- Property: A developed parcel containing one two story steel and masonry building. The land is owned by the Trust, the building is owned by Catholic Social Services.
- Area: 150,875 square feet, 3.46 acres
- Address: 3710 East 20th Avenue, Anchorage, Alaska
- Location: Grid SW1535, Community Park Subdivision, Block 1, Lot 1
- MH Parcel: SM-1523
- MHT# 9200017

Assets Inc.

- Property: A developed parcel containing one single story steel and masonry building. The building and land are owned by the Trust.
- Area: 130,700 square feet, 3.0 acres
- Address: 2330 Nichols Street, Anchorage, Alaska
- Location: Grid SW1535, Community Park Subdivision, Tract 5A
- MH Parcel: SM-1522
- MHT# 9200608

General Background: The Community Park Subdivision has, since its first occupant in the late 1960s, evolved to house organizations that in large part support Trust Beneficiaries. After these beneficiary serving organizations established locations within the subdivision the Trust inherited their leases by virtue of the land conveyance to the Trust. The east half of that block was original Mental Health entitlement land (MH-152), and the west half was state replacement land (GS-209). The Trust accepted the land subject to the leases and have honored those leases to date. The general condition of the land was in good order protected by a ground leases that required the tenants to perform maintenance to keep the building in working order. The inherited lease payments were significantly below fair market value or completely forgone to benefit the organizations. The current zoning for these properties is

Public Lands and Institutions (PLI) which is intended to include major pubic and quasi-public civic, administrative, and institutional uses and activities. This includes parks, parkways and green belts, public recreation facilities, educational, cemeteries, police and fire stations, religious and governmental offices, child and adult care facilities, public green houses, elderly housing, public safety facilities and social services facilities.

Since inheriting the lands and leases the Trust has renewed the lease for one organization, Assets Inc., at approximately 20% of fair market value and established a lease with the Anchorage School district slightly above fair market value. Other beneficiary serving organizations lease agreements in the subdivision include the ARC of Anchorage, Salvation Army, Catholic Social Services, and the Alaska Mental Health Trust Authority. The other landowners include Hope Community Resources and the Anchorage School District (Whaley School), both also beneficiary serving organizations.

The ARC of Anchorage operates under a lease that was issued in perpetuity prior to Trust ownership of the land. In 1960 the State of Alaska leased land to the ARC. Construction on the land by the ARC started in 1967. Today the lease covers 1,428,681 square feet (32.8 acres) of land; the ARC has constructed and maintains ownership of nearly 50,000 square feet of facilities on that land. The ARC of Anchorage provides a disability services to people who experience intellectual and developmental disabilities, behavioral and mental health challenges.

The Anchorage School District operates under a lease that was issued in 2005 and houses the ACE/ACT Program which currently occupies approximately 11,125 square feet in the Trust Authority Building. Over the term of the lease the footprint has increased by 7382 square feet and in March 2020 they exercised their final 5-year extension at fair market rent. The ASD ACT Program helps young people with disabilities prepare for, get, and keep good jobs.

The Salvation Army lease dates back to 1968. The trust was conveyed the land subject to the ground lease in 1996 as replacement land. The lease continues to require the tenant to maintain the building and the property. The main office was constructed in 1968, followed by the support office constructed in 1989, and finally the Senior Center in 1997. The condition of each of these buildings is characterized as average – good. Today they operate the Clithroe Center and Serendipity facilities through that lease. The Clitheroe Center is a facility housing a substance abuse and dual diagnosis treatment program working in collaboration with their Clitheroe Inpatient program located elsewhere in Anchorage. Serendipity is a dedicated senior center providing supports to adults with cognitive and functional impairments. It is the youngest structure in the subdivision.

Catholic Social Services has held a lease since 1990 and subsequently in 1991 a 4800 square foot addition to the facility was constructed. The Trust accepted conveyance of the land subject to the ground lease in 1997 as replacement land. The lease continues to require the tenant to maintain the building and the property. The building's condition is characterized as average. The building was originally constructed in 1969 as a physical rehabilitation center. The building and operations were purchased by the Sisters of Providence (Providence Hospital) in the mid 1980's then transferred to Catholic Social Services. Today Catholic Social Services uses the building as their headquarters and their Saint Francis House Food pantry, Anchorage's largest food pantry. The pantry in part serves a sector of our community that includes many beneficiaries. There is also a head start daycare (Kids' Corps, Inc.) onsite that consumes approximately 35% of the total square footage of the property.

Assets Inc. has leased since 1980 for housing Assets, Inc. or previous iterations of the organization. The building onsite now was constructed in 1974 with subsequent interior remodels in the 1990's. The Trust accepted ownership of the land and the building/improvements in 1997. In 2013 a new roof was installed on the building. In 2016 the TLO issued a new lease authorizing Assets to continue providing services benefiting Trust beneficiaries from the location at below fair market rent. The condition of the building is characterized as good. They offer supported living services and supported employment to Alaskans with disabilities. In collaboration with these services and under the same lease they also operate a bindery and print shop.

Anticipated Revenues/Benefits: This motion does anticipate revenue for the Trust via these beneficiary serving organization leases, though likely considerably below fair market rent. The potential benefit to these organizations could be as high as $770K (annually as measured in 2028) if all lease payments are forgone.

Anticipated Risks/Concerns: Anticipated utility improvements, potential roadway connection to the University and Medical District, possible municipal investments and incentives, and development of adjacent vacant lands could dramatically increase the value of the leased properties. These increases could expand the prospects for revenue generation through sale or fair market value leases to non-beneficiary serving organizations. Subsequent lease renewals will consider any of these changes and increases in property value.

Project Costs: The potential revenue loss of housing beneficiary serving organizations on these properties in lieu of tenants paying fair market value could be as high as $688K (net operating income as measured in 2028) if all leases were to be established at fair market value and reliably occupied. However, market demand is low and currently unstable, they would likely not be reliably occupied. Note even this ambitiously high estimate is less than the potential benefit to the beneficiary serving organizations currently at home in the subdivision.

Due Diligence: This proposed recommendation is a component of a larger Community Park subdivision masterplan, currently underway. The leases considered in this recommendation have therefore been considered not just onto themselves but how they contribute to the surrounding areas. To date, the master plan has found significant value to Trust's beneficiaries through the current leases. The leased buildings are known, accessible via public transportation, and in a central location to beneficiaries. The facilities are unique structures not easily duplicated or readily available in similar form within Anchorage. Independent of the Trust the tenants have looked for alternate locations with little success.

Also, as part of this masterplan an appraisal and inferred market analysis was conducted for every parcel owned by the Trust within the subdivision including the leases address in this recommendation. The appraisal and analysis determined (for the leased parcels) that *"while many of the improvements are dated and exhibit significant amounts of depreciation, after careful consideration, the maximally productive use of the subject as improved is continued use "as is."* Several real estate markets (medical office, lodging, subsidized housing) were identified as potentially financially feasible however the development within these markets will be focused on the approximately 750,000 square feet of vacant Trust owned land adjacent the leased parcels.

Alternatives:

1. Sell the Asset - Sell the properties "as-is." Market depending, options are available for a large discounted bulk sale to an investment buyer, or individual parcel sales at full value.
   - Selling the asset would return a maximum $930K annually for the Trust by year 2028, the year after all leases expire and the vacant land estimated sell out period is complete. Expenses to partners for 2028 is estimated at $2.03M . This cost is substantial. Assisting with relocating beneficiary serving tenants is a consideration, but not an obligation.
   - The annual expense does not include costs for renovating a facility elsewhere which would likely be required as the Community Park facilities are unique structures not easily duplicated or readily available in similar form within Anchorage. Independent of the Trust the tenants have looked for alternate locations with little success. Renovation costs estimates exceed $20M. Again, assisting with relocating beneficiary serving tenants is a consideration, but not an obligation.
2. Offer Below Fair Market Lease Rates. Allow the leases to expire and subsequently offer below fair lease market rates.
   - Fair market lease rates would generate $770K annually for the Trust by year 2028, the year after all leases expire - this revenue could be forgone to support beneficiary-oriented uses. In either condition, the expense to partners would be $560K annually (in 2028 and beyond) to cover all building expenses, operations, and maintenance costs - a substantial financial commitment. Note that vacancy and credit loss factors are not deducted as it is unlikely a beneficiary-oriented use will create a vacancy by relocating when they are receiving below fair market lease rates.
3. Require Fair Market Lease Rates. Allow the ground leases to expire and subsequently with current or new tenants require fair market lease rates.
   - Fair market lease rates would generate $688K annually for the Trust by year 2028, the year after all leases expire. Note that lease revenue is less than the anticipated forgone revenue in offering below market lease rates. This reduction is due to credit and vacancy loss; participating in the market assumes lost revenue from tenant turnover, whereas below market rates would likely keep the existing tenants therefore these deductions would not exist. There is an overhead cost in generating revenue. Expense to partners of $1.33M assumes the current tenants remain and pay lease rates determined through the 2020 appraisal.

This analysis finds that forgoing Trust lease revenue returns a higher value. Value being described as where the fiduciary responsibilities of the Trust Authority converge with the responsibility of the TLO to mutually support the Alaska Mental Health Trust beneficiaries. Option 1 and 3 generate more revenue for the Trust, but in this situation the expense to beneficiary serving organizations outweighs the projected annual revenue and that is why we are recommending option 2. The recommendation for the expiring leases is to offer new leases at below fair market lease rates for their continued beneficiary-oriented use.

Consistency with the Resource Management Strategy: The proposal is consistent with the long term "Resource Management Strategy for Trust Land" (RMS) which was adopted March 2016 in consultation with the Trust and assures the real estate needs of mental health programs sponsored by the Alaska Mental Health Trust Authority are met as appropriate; Trust land is managed for the long term preservation of the Trust's land base while supporting and enhancing the Trust's mission to promote a comprehensive integrated mental health program; and developing Trust land inventory and long-term management plans related to beneficiary programs. Where beneficiary-related uses of Trust lands are proposed at rents that are below fair market values, the increment between proposed rents and fair market rent will be considered an allocation of Trust revenue and must be approved by the board.

Trust Land Office Recommendation: The Trust Authority concurs with the proposal and recommends the approval of the motion described herein.

Applicable Authority: AS 37.14.009(a), AS 38.05.801, 20 AAC 40.710-720 and 11 AAC 99.

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction. If the motion is approved by the board, once the specifics of the future lease terms are known, the TLO will get specific below market beneficiary use approval as required under 20 AAC 40.710 and 11 AAC 99.

Exhibit(s):
Exhibit A – Map – Community Park Loop
Exhibit B – Slide Presentation

Trust
Alaska Mental Health
Trust Authority

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Tel 907.269.7960
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Jusdi Warner
Executive Director, Trust Land Office
Department of Natural Resources
Jusdi.warner@alaska.gov

July 14, 2023

Trust Authority Office (TAO) staff requests the Trust Land Office (TLO) determine whether the Trust land MH Parcel: SM-1520, located at 3550 E. 20 Avenue Anchorage, AK and legally described as Tract 1-A, according to the plat of Tracts 1-A and 4-A, Community Park Alaska Subdivision, is suitable for the use proposed by the Salvation Army (SA). The SA has provided a letter requesting a long-term lease for the property below market value under 11 AAC 99.110 and 20 AAC 40.710. The SA has three existing programs at this property under the current lease agreement. Those programs include Serendipity Adult Day Services, which provide a safe environment with cognitively enhancing social activities for older adults. The second is Clitheroe outpatient treatment services, and the third is Adult Drug Information School services for those stepping down from residential substance use disorder treatment.

The request is attached and summarized below:

1. A letter from the SA requesting the use of Trust land at less than fair market value, an organization that serves the behavioral health needs of adults experiencing issues with mental health and substance misuse.
2. The request includes the SA's contact information.
3. The request included a sufficient property description to identify the location and area to be used.
4. The SA has requested to pay less than fair market value for the long-term lease of the land, to continue providing outpatient clinical services, older adults day habilitation, and a new residential service for women stepping down from residential treatment into a 3.1 transitional housing program.
5. The request asks for a 25-year lease.
6. The request asks for a nominal annual lease fee of $15,701.48.

TAO staff have been working with the SA over the last year on a plan for the property that includes transitional housing options as a step down for at-risk Trust beneficiaries who will be potentially homeless once they have completed their treatment. This plan allows for an additional time frame of up to 18 months of secure, safe housing that will provide the time needed to re-enter the communities of Alaska productively. 100% of the people served by the SA are Trust beneficiaries.

With the information above, the TAO staff have determined that the organization has provided sufficient information as guided by 20 AAC 40.710. Please advise whether the land is suitable for the use proposed by SA and what the TLO has determined to be the estimated fair market rental value of the use as required by 20 AAC 40.710.

Sincerely,

Eric D. Boyer, MPH
Senior Program Officer, TAO

Cc: Steve Williams, CEO TAO
Katie Baldwin-Johnson, COO TAO
Jeff Green, Deputy Director TLO

Eric D. Boyer, MPH
Senior Program Officer
Alaska Mental Health Trust Authority
eric.boyer@alaska.gov

Trust Land Office
2600 Cordova Street, Suite 201
Anchorage, AK 99503
Tel 907.269.8658
alaskamentalhealthtrust.org/trust-land-office/

July 17, 2023

The Trust Land Office (TLO) has reviewed the request from the Alaska Mental Health Trust Authority Staff, received on July 14, 2023, to determine the suitability of the proposed use of Trust land, estimated fair market value of the parcel, and use requested by the Salvation Army (SA).

The parcel involved in the proposed use is SM-1520 and is legally described as:

Tract 1-A, according to the plat of Tracts 1-A and 4-A, Community Park Alaska Subdivision, located in the NE ¼, SE ¼, Section 21, Township 13 North, Range 3 West, Seward Meridian. Containing 4.54 acres, more or less.

The parcel is located at the southwest corner of E. 20th Avenue and Nichols Street, and the primary recorded street address by the Municipality of Anchorage (MOA) is 3550 E. 20th Avenue in Anchorage, AK. It is currently zoned PLI – Public Lands and Institutions by the MOA, which is "intended to include major public and quasi-public civic, administrative, and institutional uses and activities". The Community Park Loop (CPL) Master Plan and Assessment completed in 2021 examined the current uses of the Trust's ownership in the area, including the SA lease (ADL 34810) which has been active for the past 55 years. The CPL Master Plan recommended maintaining the current use for the SA leased area at a less than Fair Market Value lease.

Therefore, it is the TLO's conclusion that the parcel is suitable for the proposed use by the SA.

In June of 2023, the TLO had the land value of the parcel appraised by Black-Smith, Bethard & Carlson, LLC. The appraisal used a sales comparison approach of similar properties within the region that recently sold and determined the fair market value of the parcel to be $1,188,000.00. A ground lease for this type of parcel in this market area would likely be 8% of the appraised fair market value for the annual rental, making the estimated fair market lease rental $95,040 annually. Please contact the TLO with any additional questions.

Sincerely,

Jusdi Warner
Executive Director
Trust Land Office

Trust
Alaska Mental Health Trust Authority

Salvation Army Less than Fair Market Value Lease

July 25, 2023

Salvation Army Less than Fair Market Value Lease Discussion

- Use of Trust Land at less than Fair Market Value / Program Related Real Estate
- History of Community Park Loop Master Plan & Program Related Real Estate on site
- Salvation Army Programs and less than Fair Market Value Lease Request
- Lease Overview

Use of Trust Land at less than Fair Market Value / Program Related Real Estate

- Program Related Real Estate
- It is a tool the Trust Authority Office (TAO) and Trust Land Office (TLO) can use in partnership to further the mission of the Trust to implement the Comp Plan.
- TLO Resource Management Strategy

Use of Trust Land at less than Fair Market Value / Program Related Real Estate

Project/Program Viability

- The project must have a beneficiary serving purpose that forwards the Trust mission and Comp Plan goals.
- The requestor must have the capacity to build and/or operate the project.
- Funding and plans must be sufficient to indicate a successful build and/or start up.
- The TAO determines the project is ready for a recommendation.
- The TLO determines the land is suitable for the proposed use.

Process

- A written request from a beneficiary serving organization is submitted to the TAO.
- The TAO determines when sufficient information has been received to make a recommendation.
- Though before the recommendation can be made the TAO requests a land use suitability determination from the TLO.
- The TLO conducts due diligence and advises the TAO of the land's suitability for the proposed use, as well as the estimated fair market value for the use.

Process (cont.)

- TAO (with support from the TLO) will inform the Resource Management Committee of their determination.
- The Resource Management Committee makes a recommendation on the project.
- 20 AAC 40.710(f)(1-6)

In deciding whether to approve a request for the use of trust land under this section, the board will consider

(1) whether and to what extent that use is consistent with the authority's plan for a comprehensive program;

(2) the applicant's ability to implement and carry out the purposes for which the land is to be used;

(3) the extent of any economic or other benefit to beneficiaries as a result of the proposed use of the land;

(4) the extent of any likely economic impact to the trust as a result of approving use of the land at less than fair market value;

(5) comments received from the public regarding the proposed use; and (6) the nature and extent of any administrative burden on the authority or the trust land office to oversee the land or activities on the land.

Process (cont.)

- If the recommendation is for the full board to approve the project, the TAO will give public notice of the request for the project with the committee's recommendation.
- At the next regularly scheduled full board meeting Trustees will decide if the land will be used for a less than fair market disposal, also known as Program Related Real Estate.
- A decision of the board is a final decision of the authority.
- The decision may be appealed to the superior court.

History of Community Park Loop Master Plan & Program Related Real Estate on site

- 2021 CPL Master Plan

History of Community Park Loop Master Plan & Program Related Real Estate on site

- Community Park Loop Program Related Real Estate

Lease Expiration Dates

10/2023 - Salvation Army

04/2026 - Catholic Social Services

06/2026 - Assets Inc.

History of Community Park Loop Master Plan & Program Related Real Estate on site

- 2021 RMC / Full Board Motions
  - *"The Alaska Mental Health Trust Authority board of trustees direct the TLO to consider use of some Trust lands at Community Park Loop for beneficiary-oriented uses with below market rents and/or other revenues. Specific lease arrangements will still require trustee approval at a later date as described in 20 AAC 40.710 and 11 AAC 99."*

Trust

Alaska Mental Health Trust Authority

The Salvation Army Programs and Services at Community Park Loop

July 25, 2023

Salvation Army Programs and less than Fair Market Value Lease Request

- The Salvation Army currently operates outpatient behavioral health services at the proposed Community Park Loop property, East 20th (ADL 34810/MH Parcel SM-1520).
- The SA has provided services to Trust beneficiaries at this location for the last 55 years, primarily for Substance Use Disorder.
- It serves 100% Trust beneficiaries.
- The Salvation Army plans to continue serving beneficiaries at this location into the future.

The Salvation Army Community Components

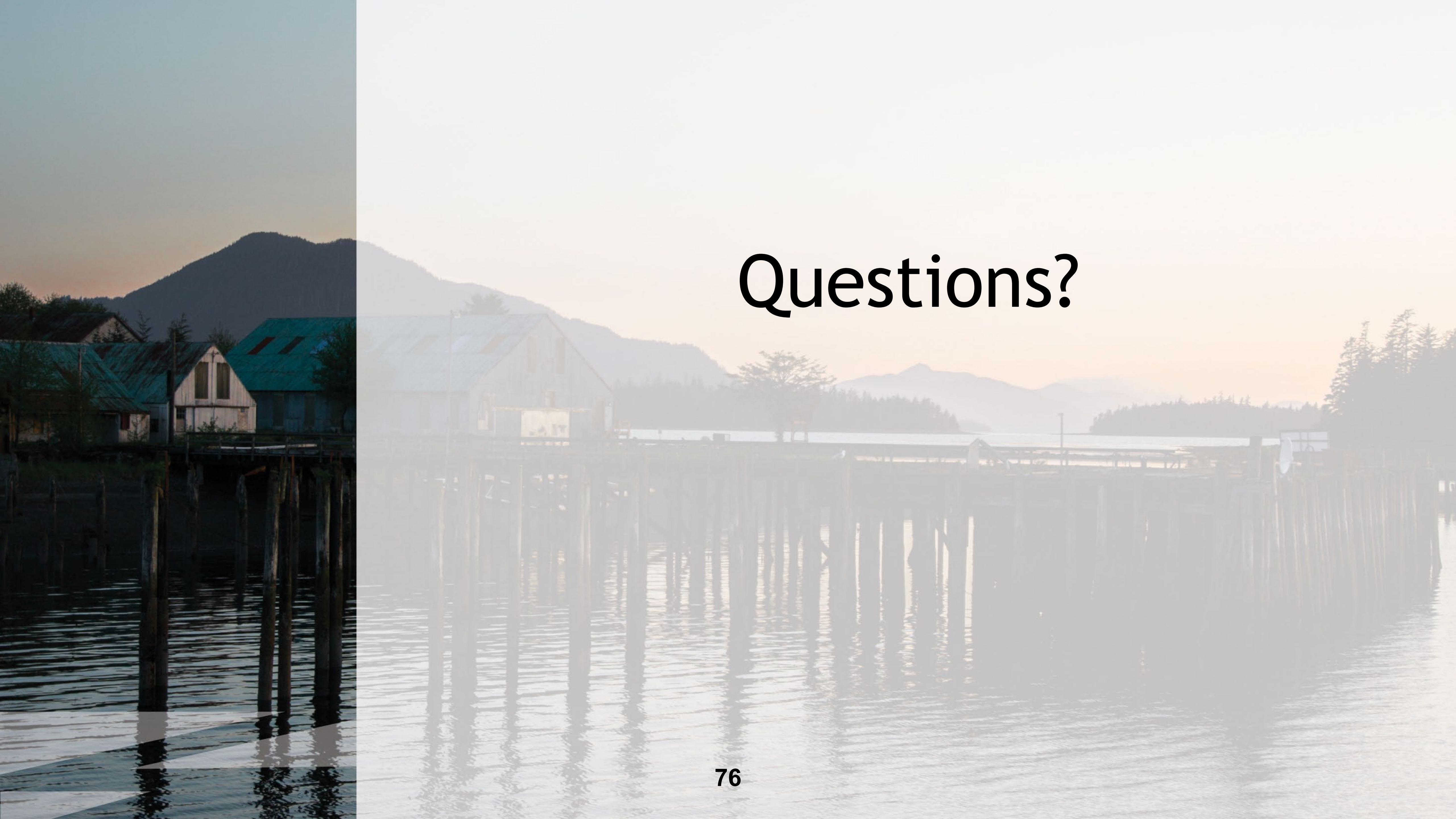
- Clitheroe Outpatient Services
- Targeted Group and Family Support Services for Beneficiaries who experience Behavioral Health Issues and/or a history with the Department of Corrections.
- Serendipity Day Services for Older Alaskans who Experience Cognitive Disabilities.
- Treatment services have been Offered at this Location for last 55 years.
- The SA is Planning and Implementing a 30-bed 3.1 Transitional Housing for Women Stepping down from Treatment Services.

Below Market Lease Request Process

- The Salvation Army's Treatment Services meet the intent of the Trust's Focus Area Mental Health Intervention and Addiction Services.
- These Services also Meet the Intent of the Mental Health Intervention Comp Plan Goal 4, and Objective 4.3.
- The SA has a long History of Serving Trust Beneficiaries at this location.
- Public Comment at the Two Community Councils were both favorable towards this Project.
- The Salvation Army has been a good tenet during the current lease agreement with the Land Office.

Lease Overview

- Terms
  - 25 Years
  - Current Fee
  - Fixed Increase



Questions?