Resource Management Committee
Quarterly Meeting
January 5, 2022

Protecting and enhancing the value of Alaska Mental Health Trust Lands while maximizing revenues from those lands over time.
Meeting Agenda

Meeting: Resource Management Committee
Date: January 5th, 2022
Time: 12:45PM to 3:15PM
Location: Online via webinar and teleconference

Teleconference: (844) 740-1264 or toll call (415) 655-0003/ Meeting Number: 2464 153 5492 # /
Attendee Number: #
https://thetrust.webex.com/thetrust/j.php?MTID=mtc0f9bd886d12cd951f4c056f2234341

Trustees: John Sturgeon (Chair), Rhonda Boyles, Verné Boerner, Chris Cooke, Kevin Fimon, Brent Fisher, Anita Halterman

Wednesday January 5th, 2022

1. Call to Order (John Sturgeon, Chair)
   - Announcements
   - Approval of Agenda
   - Ethics Disclosure
   - Approval of Minutes
     o 2021-10-20

2. Executive Director Report ~ 25 Minutes

3. Consultations ~ 45 minutes
   a. Item 1 – Hollis Exchange Timber Sale – MHT 9101091– Paul Slenkamp
   b. Item 2 – Development & Disposal of SM-1479 - MHT 9200796 – Jeff Green
   c. Item 3 – Disposal Airport Way & Peger Road, Fairbanks – MHT 9400751– David MacDonald

4. Constantine/Palmer Claims ~ 1 Hour
   a. Relocation for Executive Session
   b. Executive Session
      In accordance with the Open Meetings Act, AS 44.62.310(c)
   c. Return to regular RMC

5. Adjourn
ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING
October 20, 2021
9:30 a.m.
WebEx Videoconference/Teleconference

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

Trustees Present:
John Sturgeon, Chair
Chris Cooke
Rhonda Boyles
Kevin Fimon
Brent Fisher
Verne’ Boerner
Anita Halterman

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

Trust Land Office Staff Present:
Jusdi Doucet
Sarah Morrison
David MacDonald
Katie Vachris
Karsten Eden
Hollie Chalup
Jeff Green
Becky Carpenter
Chandler Long
Paul Slenkamp

Also participating:
Alaska Mental Health Trust Authority
Charlene Tautfest; Josephine Stern; Michele Binkley; Myranda Walso.

PROCEEDINGS
(The Resource Management Committee was called to order by Chair Sturgeon at 9:00 a.m., followed by a roll call. All trustees were present. After a request to flip the Timber Education presentation with the Land Exchange update, the agenda was unanimously approved by the Committee.)

CHAIR STURGEON recognized Jusdi Doucet.

MS. DOUCET began with the fall land sale which kicked off toward the middle of September and would be live through November 15th. She stated that there were 58 parcels scattered statewide from Lake Minchumin to Yakutat. She highlighted that Jeff Green, the Southcentral regional land manager, sold nearly $800,000 in negotiated land sales this quarter alone; with three sales being over twice the fair market value, and the other two sales coming in at a respectable 67 percent and 38 percent above fair market value. She continued that the Trust Land Office was approached by an individual seeking to purchase all Trust-owned parcels within the Mountain Point subdivision in Ketchikan. The TLO issued a best-interest decision to sell these 11 lots for $60,000. There were 11 lots averaging one acre in size, and each was located in an underdeveloped part of the subdivision. She added that during the public-notice period, the TLO received a qualified competing offer from a separate individual in the amount of $66,000, which triggered an outcry auction. This was managed by Dave Griffin on October 6th where the bids started at $66,000, with the final bid of $112,000 for the 11 lots. She moved to the Big Game Guide Permit Program, which is on track to generate about $50,000 in revenue this year. She then talked about the minerals and energy section, beginning with the additional-use permit for material sale on Sylvan Road which was submitted on August 6th. She noted that this work was not being completed on Trust land. She moved to the issue of a best-interest decision for a negotiated mineral lease near Ester Dome, Murphy Dome and Fox near Fairbanks for approximately 10,000 acres to Felix Gold. This best-interest decision generated significant public interest, including over 500 public comments. Ultimately, Felix Gold requested an amendment to their application based on the number of acres. They withdrew the land on and near Ester Dome, and a best-interest decision was issued that affirmed, as modified, for just over 6,000 acres. She continued to the adoption of the Resource Management Strategy Fourth Edition best-interest decision that was affirmed on October 12th. One comment was received during the public-notice period, which was addressed. Once the reconsideration period closes -- which is 20 days from the 12th -- with no request for reconsideration, the decision will be in effect, and work to publish that fourth edition as seen at the committee will be done. She stated that, at the Governor’s request, the TLO is working to identify the 10 parcels of State land adjacent to Trust land that would have the quickest and most positive impact on the Trust. She continued that the TLO formed a diverse working group internally and identified parcels. We are looking into the encumbrances and limitations of those parcels in an effort to prioritize. She had been in communication with DNR’s Commissioner’s Office and the Division of Forestry with the hope of completing that before the 90-day deadline.

CHAIR STURGEON moved to the Icy Cape Update.
ICY CAPE UPDATE
MS. DOUCET introduced Karsten Eden, the chief geologist, to present the update.

DR. EDEN gave an update on the Icy Cape Gold Industrial Heavy Minerals Project for the third quarter of fiscal year 2021. He began with planning and stated that at the end of the third quarter they were at 90 percent. While most of the planning is completed, the final planning for next year’s season is in full swing, and it is on the right track. Next was procurement, which at the end of the third quarter is at 80 percent and right on track. In the fourth quarter, camp procurement and maintenance will be done. The next category at the end of the third quarter was field work, which is also right on track at 90 percent. He stated that processing and assaying was at 75 percent, also right on track. Next, science and engineering is at 80 percent. They evaluated the results for the aeromagnetic grading geophysical survey with good results, and it is right on track. Anticipated results are at 75 percent, where they should be. He added that everything was looking good for the Icy Cape Gold and Industrial Heavy Minerals Projects, but with significant price increases, which did not impact this year too much, but it will be felt next year as drilling, catering, support services and analytical service prices go up.

CHAIR STURGEON thanked Dr. Eden for putting it all together and stated that it makes it easy for the Board to find out exactly where that project is going. He continued that it was a big investment and a tough decision because of the money. He called a break.

(Break.)

CHAIR STURGEON reconvened the meeting and asked Ms. Doucet to introduce the presenters.

FOREST SERVICE LAND EXCHANGE
MS. DOUCET stated that this land exchange has been 16 years in the making, and it was appropriate to talk about where it has been and where it is at now. She introduced Chandler Long, the project manager on this for the past two years, along with Paul Slenkamp.

MS. LONG stated she was the project manager with the honor and privilege of working on this project. She celebrated the fact that the final conveyance of this land exchange was completed. She talked about how it became a 16-year project, spanning several TLO executive directors. She covered the purpose of the land exchange and its future. She explained the pictures related to the land exchange. She went through the history of how the land exchange began and was developed. She stated that approximately 18,492 acres of Federal land are owned by the Trust. This was a value-for-value exchange; not an acre-for-acre. She then went through and explained about the parcels acquired. She stated that the Forest Service had not yet provided the perpetual free access that the Trust is entitled to, which is critical to development. The reality of this land exchange is that it always required Congressional delegation support throughout its 16-year journey. She shared a photo from the summer of 2017 at Governor Walker’s bill-signing ceremony for SB88, the State Land Exchange Bill. She added that she would appreciate any time and attention by the Trust on the pending deliverables for legal access.

TRUSTEE COOKE asked if there was any outreach to the whole Alaska audience to tell this story.

MS. DOUCET replied that that is being worked on. There has been a press release from the Governor’s office and Senator Murkowski’s office. Anything else is being held off until the
Forest Service delivers the access. It is a great story for the beneficiaries as far as the present revenue generated, and what that will be in the future.

MS. BIASTOCK added that there is a plan to feature this prominently on the annual report, which will be finalized in January.

CHAIR STURGEON thanked Chandler and recognized Ms. Doucet.

TIMBER EDUCATION

MS. DOUCET stated that next is the timber education presentation by Paul Slenkamp, our senior Trust resource manager.

MR. SLENKAMP began with an introduction to the Trust Timber Program which has been one of the longest ongoing revenue sources from the Trust Land Office since its establishment. He continued that he had been working in timber and forestry in Southeast Alaska for a long time; as area forester in Ketchikan with the State of Alaska; Southern Southeastern with the Division of Forestry; and from 2008 to the present, with the Trust Land Office. Prior to that he was a logging engineer and a contract manager with Ketchikan Pulp Company, and also did almost 15 years with Puget Sound Log Scaling, working with several different mills in Southeastern. He stated that the Trust owns about 100,000 acres of timbered lands in the Northern region; 60,000 in Southcentral; and about 47,500 in Southeastern; for a total of about 207,000 acres. He explained that the inventory is found with aerial photos that show areas of potential timber and then are plotted out. He continued that the Division of Forestry does a lot of inventory work and most of the Trust land up north are adjacent to State timberlands. While they do inventory, an agreement was worked out where they extrapolate their findings on Trust lands to give a basic understanding of volume. Timber harvest on Trust lands is subject to the Alaska Forest Resources and Practices Act. Trust lands are considered private lands. There are two different designations with that Act: Private and State lands. FRPA is primarily structured to protect anadromous fish, which is salmon habitat; water quality, which meets Title 16 of the Clean Water Act; provides best management practices for forestry activity. It is overseen by the Alaska Board of Forestry, and administered by the Division of Forestry. He continued that FRPA is not a permitting process, but is a notification and an agency review. He asked Chair Sturgeon to continue.

CHAIR STURGEON explained the cooperation between Fish & Game and Native groups in the state and the economics of it. He was on a 1989 working group created by Governor Cowper when he decided that a Forest Practices Act was needed. The 15-member working group was multi-disciplined and had someone in the environmental community, commercial fishing, sport fishing, wildlife agencies, Fish & Game and DNR, to come up with the Act. Governor Cowper wanted it to be unanimous. This group agreed on four main principles: it was to be fair to all parties concerned; no big hits to fish or the private landowners, although the private landowners knew that they would not be able to keep all their timber; it had to be enforceable; and it had to be based on professional and scientific management. Most controversial was the protection of the fish. He explained in greater detail how the concepts and principles came about. He added that over the last 30 years or so there had been a fair number of changes to the Forest Practices Act as new information has been discovered.

MR. SLENKAMP thanked the Chair for the great explanation and stated that he wished that more of that institutional knowledge was on the current board. He continued that timber has
been one of the larger revenue generators of the Trust Land Office, and he talked about the new management strategy. He moved to the list of timber sales that generated 52 million feet, and he added that the timber sale program has been ongoing for many years. He stated that in the last few years, timber had been a controversial industry, and it seems to be getting more so the time. The Alaska Mental Health Trust and the State of Alaska have become the sole suppliers of old-growth timber in Southeastern due to the announcement of Sealaska and the Forest Service reducing or eliminating their old-growth timber sales. The young growth is a great crop, but it takes about 70 years to produce a marketable crop. The pulp mills began large industrial cutting in the ‘50s, and we are coming close to that 70-year timing. He continued through his presentation and talked about the basic contractual forms that timber is sold under. He concluded his presentation and stated appreciation for the time to introduce this really important aspect of Trust Land Office operations.

CHAIR STURGEON thanked Mr. Slenkamp and stated that he learned a lot from the helpful presentation.

TRUSTEE COOKE asked about regrowth and regeneration, and how it was done.

MR. SLENKAMP replied that silviculture is basically the growing of trees, and Southeast Alaska is extremely virulent. There is no problem with reproducing. The problems arise when they come back too quickly. He stated that the primary method of silvicultural enhancement of timber is the precommercial thinning, which happens between 15 and 20 years of age. Native Corporations and the Forest Service have been very successful in getting Federal money to assist in the precommercial thinning process.

TRUSTEE COOKE asked for a little update on recovering the costs of the Land Exchange.

MR. ABBOTT replied that $6 million was allocated in 2016 and 2017 with half coming from the TADA principal, and the other half from income. He stated that the project will come in under budget, but he was not sure by how much.

TRUSTEE BOERNER stated that because the exchange had to be equally parceled out, there will not necessarily be any immediate realizing of benefits on the land exchange itself; only on the economic activity.

MS. HOWARTH stated there was a discussion with BDO about the treatment of the Land Exchange. Next year the acreage will no longer be valued at $1 per acre.

CHAIR STURGEON asked for a motion to adjourn.

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

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

CHAIR STURGEON adjourned the meeting.
(Resource Management Committee adjourned at 11:50 a.m.)
Revenue Projections: Principal $2,295,000 (up to)  
Income $ 405,000 (up to)

Transaction/Resource: The Trust Land office (TLO) will offer up to twenty million board feet (20 MMBF) of timber on portions of the approximately 1,438 acres of Trust land in Hollis acquired through the Alaska Mental Health Trust Land (AMHT) Exchange Act of 2017. These lands are adjacent to lands harvested by the State of Alaska. There are about 800 acres of old growth timber deemed economic in the timber cruise. There is also a 29 acre stand of 65-year-old timber which is of harvestable size. The primary harvest acres are highlighted on the attached timber sale map. Additional logging units may be added within this area if field work determines that additional areas are economic to harvest.

All harvesting will occur with concurrence of the TLO and the operator. There has been considerable market interest in the upcoming timber volume due to a lack of available timber from other landowners. This interest is countered by increasing pressure from groups opposed to the harvest of timber in SE Alaska. The timber industry is attempting to acquire adequate timber supply for current operators to remain viable until sufficient second growth (young growth, YG) is available. There are currently only two operators of sufficient size to operate large timber sales in SE Alaska such as the TLO offers. The TLO currently has under contract two large timber sales (Naukati & Shelter Cove) with these operators. The TLO manages about 47,500 acres of timberland in SE Alaska. The Alaska Forest Association has requested that the TLO maximizes the volume it can offer at this time in an effort to maintain the timber industry. With the sale of this timber the TLO will have all significant old-growth timber volumes under contract.

The USFS announced they will terminate old growth harvest activities except for small operators and indigenous cultural forest products. Sealaska Corporation also announced they would cease harvesting
of old growth timber on their lands. This unexpected development has had severe impact on the SE Alaska Forest Products Industry. The last two remaining operators are considering whether to remain in operation. These announcements undercut the ability of the TLO to market timber in a truly competitive environment. The USFS has stated that the Alaska Mental Health Trust Land Exchange Act is the vehicle that it is using to transition the timber industry to young growth.

The Alaska Forest Association, University of Alaska (UA), Alaska, Division of Forestry (DOF), and the TLO has been involved with both Sealaska and the USFS in meetings such as the SE Landowners Group for over 10 years working on various issues such as maintaining viable infrastructure and a stable timber supply for the timber industry.

The unexpected announcements have resulted in the State of Alaska (AMHT, UAA, & DOF) being the sole providers of timber to the industry. Sufficient Young Growth to supply even a small industry (such as currently exists) is not expected until about 2035. The TLO currently has existing contracts that will take at least 5 years to complete (approximately 130 mmbf valued at $17 million). It appears critical that the Hollis timber sale and future young growth sales align to assist the industry in successfully completing their obligations. Past observations in Alaska and other areas show that if a timber industry collapses it is very difficult to reestablish.

The TLO is studying the situation and working with other State agencies and the Alaska Forest Association to identify additional sources of timber. The TLO has experienced an increase of interest in its timber sale program. It should be noted that providing wood to assist in the timber industry stability and transition to young growth timber was a primary objective of the Alaska Mental Health Trust Exchange Act of 2017. The TLO is fulfilling the purpose of the legislation by selling wood to the local market. At this time, a negotiated sale with the current operator on Prince of Wales Island at appraised timber value (timber appraisal from land exchange) would be the most prudent method of disposal. The current conditions appear to not be favorable for a competitive process. The TLO has determined it would be prudent and in the Trust’s best interest to get all timber volume under contract.

This timber sale will include lands obtained from the Alaska Mental Health Trust Land Exchange Act of 2017. The Wolf Creek Boat Works is situated on about 7 acres in the northeast side of the parcel. Harvest operations may not occur within this area. The State of Alaska Division of Forestry, North Hollis Timber Sale, SSE-1346-K was conducted upon adjoining lands. The purchaser will be responsible for complying with a Memorandum of Understanding for Hollis Access (May 31, 2019) between the TLO and the State of Alaska, Mining, Land & Water for use and maintenance of the existing roads. This road system allows access to the timber sale area. There will be considerable public scrutiny of this sale. This can be somewhat mitigated by selling this sale to a local Prince of Wales (POW) Island operator (Viking Lumber). The other operator has expressed a reluctance to take on such a public sale. They are engaged in only export sales (to the US and overseas). The Viking Lumber utilizes local manufacturing and is a high visibility economic driver on POW. Viking is also recognized as the last operating sawmill of significance in SE Alaska. They also have proven to be an operator that adheres to all contract stipulations.
The timber sale will be for five (5) years, which may be extended upon consent of both parties. The contract will be a stumpage sale will be a lump-sum sale at appraised value. A negotiated sale will meet or exceed current contractual stumpage rates. The 5-year contractual time will allow time to consider market conditions. It has been found that extended contract times allow the contractor to weather slow market conditions and results in higher returns to the Trust.

**Property Description/Acreage/MH Parcel(s):** The property is 1 mile north of Hollis on Prince of Wales Island and includes parcel CRM-7061: Copper River Meridian: Township 73S, Range 84E, Sec. 14, lots 1 to 5 inclusive: Sec. 15 lot 1; Sec. 22, lot 1; Sec. 23, lots 1 and 2; Sec. 24, lot 1; Sec. 25, lot 2; Sec. 26 lot 2; Containing 1,438 acres. Patent # 50-2021-0081

**General Background:** The TLO has engaged in the sale of timber as a major contributor to its traditional revenue portfolio. The proposed timber sale will dispose of commercially viable timber on Trust lands located on Prince of Wales Island, near Hollis. The proposed timber sale is the result of both State of Alaska (SB 88) and Federal (S.131) legislation passed in 2017. The proposed sale is composed of timber on lands acquired or to be acquired through the Alaska Mental Health Trust Land Exchange Act of 2017.

The Trust Resource Management Committee has heard and approved various consultations on the land exchange beginning in 2005. At the January 4, 2018 meeting the board concurred that the exchange was in the best interests of the Trust. In this same consultation the RMC increased the allocated budget for the exchange from $3.1 million to $6.2 million. This timber sale will assist in recouping that investment.

The TLO has positioned the land exchange to play a key role in the preservation of the existing timber industry in SE Alaska. A healthy timber industry is a key component to maximizing timber receipts to the Trust and was also a key component in the passage of the AMHT Land Exchange Act of 2017. It is hoped that the proposed timber sale will assist in providing sufficient timber to the southeast Alaska timber industry to remain operable until other landowners can market additional timber.

**Anticipated Revenues/Benefits:**
1. The timber sale is expected to generate approximately $2,700,000 in revenue in Fiscal Year(s) 2022 to 2027.
2. Harvest of timber will maximize revenue while providing for timber regeneration and future timber harvests.

**Anticipated Risks/Concerns:** There may be some anticipated public concern associated with this timber harvest. The land exchange has been a public issue for years and received the support from several environmental groups to provide timber to the SE Alaska Timber Industry. This timber sale should be an anticipated result of the exchange and is composed of timber near previously harvested areas. The Hollis area has a long history of timber harvest. There may additional public interest from the high visibility of this sale, this could be somewhat mitigated by utilizing local manufacture. This hillside will adjoin the existing State timber sale and will resulting a large harvest area visible from the ferry route.
Although there have been concerns about the ongoing fluctuation in timber prices in both the domestic and overseas markets, this fluctuates over time dependent on geopolitical issues, market demand and other factors. A negotiated sale will meet or exceed current contractual stumpage rates.

**Project Costs:** TLO staff time and travel costs.

**Other Considerations:** Sale of this timber may assist the Southeast Alaska forest products industry to remain in operation while alternate timber supplies from the US Forest Service and the State of Alaska become available. This sale will assist in the SE Alaska timber industries transition to a young growth timber industry for long term viability. The Trust is reliant on the timber industry to purchase Trust timber in the future.

**Due Diligence:** The TLO staff has visited the area on numerous occasions. An extensive timber cruise and logging plan was conducted as part of the land exchange appraisal process. This appraisal was utilized to establish the sale price. The TLO monitors all log scale and payments throughout a contract.

**Alternatives:**

1. **Do Nothing:** This alternative assumes that timber values will not be maximized by harvesting at this time. Timber is a commodity, and the current markets are in fluctuation it is anticipated that this can be mitigated with an extended contractual time. There is a distinct possibility that if the sale is not marketed now there may not be an industry in place to purchase it.

2. **Alternate Development:** Due to the character and location, the parcel does not lend itself to other development opportunities that would produce a return to the Trust comparable to a commercial timber harvest. Commercial harvest of the timber will, in some cases, facilitate other commercial opportunities on the lands.

3. **Proposed Alternative:** This alternative will provide the Trust with revenue and will help to maintain customers for future timber sales. The harvest should not adversely impact other future development. Harvest now will allow a new forest to start.

**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 focus first on land or resources at the high end of the market values (“best markets”). Given the current market values of timber, the prospective lands affected by this decision will be sold with an extended contractual period.

**Trust Land Office Recommendation:** Proceed with the timber sale on the Hollis portion of the land exchange (CRM-7061) by a negotiated or competitive sale process. A negotiated sale will meet or exceed current contractual stumpage rates.

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

**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.
Exhibit(s):
Exhibit 1 – Hollis Exchange Timber Sale Area Map
Exhibit 1
Hollis Exchange Timber Sale Area Map
To: John Sturgeon, Chair  
Resource Management Committee  

From: Jeff Green  

Date: 1/5/2022  

Re: Item 2 - Development & Disposal of SM-1479 - MHT  
9200796  

Fiscal Year: 2023 - 2025  

Proposed RMC Motion:  

“The Resource Management Committee concurs with the Trust Land Office (TLO) recommendation for the Executive Director to negotiate disposal of Trust parcel SM-1479 through sale or lease.”  

Background:  

Revenue Projections:  
Principal (up to) $500,000  
Income (up to) $250,000  

Transaction/Resource: The proposed action is to develop and sell a Trust parcel located off the upper area of Potter Heights Drive in South Anchorage, possibly creating 8 - 12 lots for inclusion in the TLO’s Statewide Land Sale Programs. Lots may be offered for sale through the competitive land sale program, over-the-counter land sale program, or through a negotiated sale at or above fair market value; or through a competitive or negotiated lease at or above fair market value.  

Purchasers may elect to pay for the lots in full or financed through a TLO land sale contract.  

Property Description/Acreage/MH Parcel(s): The newly created lots would all be from, and include all of, Trust parcel SM-1479, described as T. 011 N., R. 003 W., SEWARD MERIDIAN, ALASKA SECTION 14: W1/2NE1/4NE1/4SE1/4, SE1/4NE1/4NE1/4SE1/4, W1/2NE1/4SE1/4, SE1/4NE1/4SE1/4; CONTAINING 37.50 ACRES, MORE OR LESS. Lot acreage would likely range between 1 and 4 acres.  

General Background: The TLO has been selling subdivided lots and small parcels through the land sale programs since 1998 on behalf of the Trust. The parcels offered in the land sale programs are predominately from pre-existing subdivisions designed and platted by the Department of Natural Resources in the 1970’s and 1980’s, subdivisions recently developed by the TLO, or parcels under 10 acres in size.
The hillside area of Anchorage has historically and continues to be a sought-after area. This parcel development would create additional quality inventory to add to the land sale programs in the Anchorage area.

**Anticipated Revenues/Benefits:** Based on assessed values and recent sales of vacant lots in the immediate area, the TLO anticipates the total value of the lots to be up to $500,000. Long term economic benefits to the Trust include returns on the investment of the purchase price. For those parcels purchased with TLO financing, interest income will be produced from the sale for the term of the contract.

**Anticipated Risks/Concerns:** Overall, there are few concerns associated with this transaction. This consultation gives the Executive Director the ability to move forward with proposed fair market transactions, subject to a best interest decision process, providing a public notice to stakeholders and an opportunity for any of said stakeholders to provide timely comments.

**Project Costs:** Initial project costs, which include appraisals, title reports, marketing, and survey costs are not likely to exceed 20% of the estimated revenue. All initial project costs will be funded through the TLO operating budget. Additional costs may include 1) planning and engineering expenses; 2) the cost to entitle and subdivide the land pursuant to municipality requirements; 3) land development costs, including clearing, grading, and potential residential road construction; and 4) other property enhancements necessary to market the parcels. The TLO is not requesting an appropriation for any of the purposes outlined herein now but may seek funding for additional project costs at a later time, if necessary, and in accordance with AMHTA/TLO regulations and procedures. Cost recovery procedures may be applied if it is in the best interest of the Trust and its beneficiaries to do so.

**Due Diligence:** TLO staff have inspected the parcel within the last year. A contracted general appraiser and surveyor will both inspect the lots prior to sales. Minimum bids will be established via standard appraisals practices. All lots will have a title report completed prior to issuing a sale contract or quitclaim deed. Standard contract documents were reviewed by the Attorney General’s office; no separate independent review was required.

**Alternatives:** The primary alternative is to hold the parcel for development and/or sale in the future. This alternative could potentially miss selling at the higher end of the market and delay receipt of revenues from both principal and income. A delay of sales may result in additional costs and risks to The Trust without significant increases in value.

**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.Past experience has demonstrated that it is unlikely that this parcel will appreciate at a rate that would justify holding them for a later development/sale. It is not cost effective for the Trust to hold these parcels and incur the associated management costs and liabilities.
Trust Land Office Recommendation: The Trust Land Office recommends approval of the motion as described herein.

Applicable Authority: AS 38.05.801, 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 necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Exhibit(s):
Exhibit A – Area Map & Parcel Location
Revenue Projections: Principal At Least Fair Market Value, if sold; Income At Least Fair Market Rent, if leased.

Transaction/Resource: The proposal is for the Executive Director of the TLO to negotiate fair market rent lease(s) or fair market value sale(s) of Trust parcels F20212 and F20213, in whole or part. As long as they remain leased, the disposal(s) shall exclude those portions of Trust parcels F20212 and F20213 encumbered under MHT 9400664 (Fahrenkamp) and MHT 9400635 (Denardo), though the land area related to these two leases may be reconfigured for the sake of efficiency and overall site utility. The Negotiations will be completed on terms acceptable to the Executive Director, consistent with the TLO Resource Management Strategy ("RMS"), and all applicable regulations and laws.

Property Description/Acreage/MH Parcel(s): As shown on Exhibit 1, the property is comprised of two separate legal lots positioned at the southeast corner of Airport Way & Peger Road, Fairbanks:

Trust Parcel F20212 (5.540 acres)
Tract B of Alaska State Land Survey No. 86-29, containing 5.540 acres, more or less, according to the survey plat filed in the Fairbanks Recording District on February 14, 1989 as Plat 89-18.

Trust Parcel F20213 (8.544 acres, less Fahrenkamp and Denardo parcels)
Tract A of Alaska State Land Survey No. 86-29, containing 8.544 acres, more or less, according to the survey plat filed in the Fairbanks Recording District on February 14, 1989 as Plat 89-18.
**General Background:** Trust parcels F20212 and F20213 were conveyed to the Trust in 1996 to help fulfill the Settlement Agreement. In 2017, leases were signed with Alaska Behavioral Health (formerly Anchorage Community Mental Health Services) for an existing 10,150-square feet resident care facility known as the Fahrenkamp Center and with the Tanana Chiefs Conference for an existing 6,532-square feet resident care and detox facility known as the Denardo Sobering Center. As beneficiary-serving organizations, these two facilities fall within the Trust’s Program-Related Investment (PRI) portfolio; our intent is to continue our relationships with these programs for the foreseeable future.

The balance of the two Trust parcels is comprised of unimproved, non-income producing land. Our objective is to try and generate revenues from the unimproved portions of the property.

Given the central Fairbanks location, the property’s positioning at a signalized intersection along two heavily trafficked arterials, and the General Commercial zoning, we believe the property will be attractive to commercial users/tenants. Accordingly, we would like to implement an aggressive marketing plan creating a broader exposure of the opportunity. This will initially include a greater online presence of the property’s availability and on-site signage, with a potential progression to site planning and entitlement for proactive pursuit of specific uses or tenants, subdivision into smaller lots, possible vacation of the right-of-way for Newton Street which bisects the property, land development activities such as clearing and grading, as well as a potential frontage road parallel to Airport Way to increase tenant visibility and overcome the lack of direct access to Airport Way.

**Anticipated Revenues/Benefits:** Under this proposal, the Executive Director would have discretion to carry through with disposal of the parcels at or above fair market rents/values. Total revenue is dependent on the term and size of any transactions, including any landlord contributions or property enhancements necessary to market or let the parcels. By approving this motion, the Executive Director will be able to negotiate and execute the transaction(s) in a more expedient manner than waiting to consult for specific individual transactions which significantly lowers the risk of losing a deal. The two primary revenue generating options available are sales and ground leases; the TLO will analyze whether to advance with sales over ground leases based on expected risk-adjusted returns factoring in lease term and tenant creditworthiness.

**Leasing Considerations:**
The TLO has received no inquiries recently from prospective lessees. Generally, commercial leases are negotiated rather than being offered competitively in order to accommodate the specific needs of prospective tenants. By consulting on this matter now, prior to receiving inquiries, the TLO will be in a better position to move forward over a commercially reasonable timeline.

**Sales Considerations:**
The TLO has not received any recent serious purchase interest. Accordingly, it is possible that the TLO may wish to subdivide the parcels into numerous smaller parcels to expand the pool of prospective purchasers and thereby realize additional revenues to the trust. The decision to undertake a subdivision may be a point of negotiation for future sale or lease scenarios. These costs would be negotiated between the TLO and any prospective purchaser/lessee and borne in a commercially reasonable manner that is consistent with the AMHTA and TLO procedures, regulations and statutory requirements. The TLO could offer the property for sale through a negotiated or competitive process.
Anticipated Risks/Concerns: Overall, there are few concerns associated with this transaction. This consultation gives the Executive Director the ability to move forward with proposed fair market transactions, subject to a best interest decision process, providing a public notice and an opportunity for any timely comments.

Possible risks include limited market demand that could translate into a lengthy marketing period. Fairbanks has experienced limited population growth; the Borough’s population fell slightly (down 2.0%) between 2010 and 2020 though it is up 15.5% since 2000. It is uncertain how much new commercial demand will occur, however, new concepts replacing old ones can drive demand as trends change and evolve. It is important to maintain exposure and promote the opportunities for demand to materialize.

Community opposition to commercial development can also be a concern, even though the property is zoned for commercial uses and this use would most likely pass approval of any required municipal or borough review. Such opposition can be dealt with through community outreach prior to proposing the project publicly, then using feedback from the community to implement design and operational considerations that can mitigate some of the concerns raised.

Project Costs: This consultation anticipates that for a sale or lease scenario, closing and other anticipated transactional, administrative, and legal costs would be borne by buyer/lessee and seller/lessor in accordance with local standard business practices. Additional costs may include 1) planning and engineering expenses, 2) the cost to entitle and subdivide the land pursuant to municipality or borough requirements, 3) land development costs, including clearing and grubbing, grading and potentially installation of a frontage road parallel to Airport Way to improve accessibility, and 4) landlord contributions or other property enhancements necessary to market or let the parcels. The TLO is not requesting an funding outside of its operating budget for any of the purposes outlined herein now but may seek funding at a later time, if necessary, and in accordance with AMHTA/TLO regulations and procedures.

Due Diligence: As stated under Project Costs above, additional legal review to finalize the transaction documents will be required to facilitate this transaction and review the potential associative risks.

Alternatives: The alternatives to this proposal include:

1. TLO development of this parcel now, or at a later date, using Trust funds. Moving forward with a development now would be speculative in nature, with increased risk to the option of lease or sale. Further, finding tenants that could partner in a development of this magnitude and recognizing revenue from a completed development has no definitive timeline.

2. Do nothing. This scenario offers no definitive timeline for revenue generation and has the potential to hinder commercial transactions if the TLO cannot respond to offers in a commercially reasonable fashion.

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. The RMS acknowledges negotiated disposals (sale or lease) and competitive disposals (sale or lease) as acceptable actions, provided they are subject to stringent adjudication processes as outlined in this consultation.

**Trust Land Office Recommendation:** The Trust Land Office recommends approval of the motion as described herein.

**Applicable Authority:** AS 38.05.801, 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 necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

**Exhibit(s):**
Exhibit 1 – Parcel Configuration and Location Map
Exhibit 1

Mental Health Trust Parcels
Fairbanks, Alaska

Zoning:
GC - General Commercial
MF - Multi Family

Date Created: December 7, 2021
Resource Management Committee  
January 5, 2021

**Entering into Executive Session**

**Motion:**

Per AS 44.62.310(b) and AS 44.62.310(c)(1), I propose that the Resource Management Committee move into executive session to discuss confidential matters pertaining to finances and potential negotiations for the Palmer Project regarding the potential acquisition of federal land that is currently encumbered by federal mineral claims. No decisions will be made in the executive session.

**Returning from Executive Session**

**Notice of Return:**

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 the executive session. We did not make any decisions during the executive session.
Palmer Claims

Status
- 340 unpatented federal mining claims owned by Alyu Mining (Merrill Palmer group), leased to Constantine Metal Resources
- Constantine is actively exploring the federal mining claims
- Federal claim owners are entitled to 2.5% Net Smelter Return Royalty

Options
- Removing the federal claims and converting the federal land to Trust owned land consolidates the entire project under state ownership
- Purchase right to extinguish federal mining claims
- Removal of federal claims extinguishes extralateral rights
Extralateral Rights

- Authority under Federal Mining Law
- The federal claim holder can follow the lode even across ownership boundaries and no royalty can be collected by other landowners
- The highest exposure of lode creates the apex right
- Palmer’s claims were staked at tops of mountains
- Extinguishes the royalty rights on Trust land surrounding the federal claims if connected to original lode apex right
Extralateral Right

Is a principle under mining law where a miner has a right to claim on public land to mine veins whose tips are present on the surface of the claim even though the veins extend under the surface outside of the claim. Extralateral right is also known as apex rule or intraliminal right.
### Palmer Deposit Economic Model

#### Input data: NI43-101 Resource Estimate dated September 27, 2018

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Current model is being revised to include a variety of financial options.

Assumption: Operating lifetime of hypothetical mine is 12 years
Phase 2 Underground Exploration

- Plans underway to begin underground tunnel to reach under the Southwall to provide better access to resource drilling
- Includes drilling under glacier
- Portal on Trust land
- Includes plans for water disposal and treatment
- Includes groundwork and road building
- TLO has already approved the Phase 2 Plan of Operations
- DNR approved Reclamation Plan
- DEC approved the Waste Management Permit – Remanded and redesigned in 2020, pending approval of design changes
Move to Executive Session

Discuss confidential financial and negotiation matters