

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: 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.

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: 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 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 is 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.)