

Alaska Mental Health Trust Authority
Trust Land Office
Notice under 11 AAC 99.050 of
Decision to Issue Competitive Timber Sale – Naukati Young Growth - Naukati
MHT # 9101044

Notice is hereby given that, pursuant to the provisions of AS 38.05.801 and 11 AAC 99, the Executive Director of the Alaska Mental Health Trust Land Office (TLO) has determined that it is in the best interest of the Alaska Mental Health Trust and its beneficiaries to complete a competitive timber sale on certain Trust land. The basis for this determination is explained in a written best interest decision prepared by the Executive Director pursuant to 11 AAC 99.040.

The Trust land affected by the decision is adjacent or near Naukati on Prince of Wales Island, and is more particularly described as: T69S, R79E, portions of sections; 1, 2, 11, 12, & 13 T68S, R79E portions of sections; 30, 31 & 32; T 68S, R78E portions of sections 25 & 36 containing about 500 acres (sale area), more or less, which is a portion of a larger parcel of approximately 4,933 acres (west Naukati section of AMHT Land Exch.). Settlement Parcel Numbers: CRM-7062 & CRM-7063 (portion of land exchange).

Persons who believe that the written decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020, or any other provision of 11 AAC 99, must provide written comments on or before **4:30 PM, August 30, 2021. Comments should be submitted to the TLO at 2600 Cordova Street, Suite 201, Anchorage, AK 99503, or by fax (907) 269-8905 or email mhtlo@alaska.gov.** Following the comment deadline, the Executive Director will consider timely comments that question the decision on the basis of the best interest of the Alaska Mental Health Trust and its beneficiaries or inconsistency with 11 AAC 99, and the best interest decision may be changed in response to such written comments or other information. Commenting parties will be provided a copy of the final best interest decision after the end of the notice period.

To be eligible to file for reconsideration of the best interest decision, or to file a subsequent appeal to the Superior Court, a person must have submitted written comments during the notice period. Eligible persons will have twenty (20) calendar days after published notice of or receipt of the final written decision to request that the Executive Director reconsider the decision under 11 AAC 99.060(b).

Copies of the written decision are available at the Trust Land Office, or at <https://alaskamentalhealthtrust.org/trust-land-office/>. If you have any questions concerning this action, please contact the Trust Land Office at (907) 269-8658.

In compliance with the Americans with Disabilities Act, the Alaska Mental Health Trust is prepared to accommodate individuals with disabilities. Please contact the Trust Land Office at (907) 269-8658 for assistance. Requests for assistance must be received at least 96 hours prior to the comment deadline in order to ensure that any necessary accommodations can be provided.

The Executive Director of the TLO reserves the right to waive technical defects in this notice or to amend, postpone, or vacate the best interest decision.

DocuSigned by:
Jusdi Doucet

Jusdi Doucet
Acting Executive Director

7/26/2021

Date

Published Anchorage Daily News: 07/30/2021
Published Ketchikan Daily News: 07/30/2021

The Alaska Mental Health Trust Authority
Trust Land Office
BEST INTEREST DECISION
Competitive Timber Sale – Naukati Young Growth - Naukati

MHT#: **9101044**
MH Parcel(s): **CRM-7062 & CRM-7063**

In accordance with AS 38.05.801 et seq. and the implementing regulations governing Alaska Mental Health Trust (“Trust”) land management (11 AAC 99), Trust land shall be managed consistently with the responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)). This means that management shall be conducted solely in the best interest of the Trust and its beneficiaries.

In determining the best interest of the Trust and its beneficiaries, and in determining consistency between state law and the Alaska Mental Health Enabling Act, the Executive Director of the Alaska Mental Health Trust Land Office (“TLO”) shall, at a minimum, consider the following interactive Trust management principles in accordance with 11 AAC 99.020:

- Maximization of long-term revenue from Trust land;
- Protection of the corpus;
- Protection and enhancement of the long-term productivity of Trust land;
- Encouragement of a diversity of revenue-producing uses of Trust land; and
- Management of Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries.

I. Proposed Use of Trust Land. Disposal through competitive sale of about twenty million board feet (20 mmbf) of young growth timber. These lands were or are to be acquired from the United States Forest Service (USFS) as authorized by the Alaska Mental Health Land Exchange Act of 2017.

II. Applicant/File#. MHT 9101044

III. Subject Property.

A. Legal Description. The property is about 3 miles N of Naukati on Prince of Wales Island: CRM-7062 & 7063: T69S, R79E, portions of sections; 1, 2, 11, 12, & 13 T68S, R79E portions of sections; 30, 31 & 32; T 68S, R78E portions of sections 25 & 36 containing about 500 acres (sale area), more or less, which is a portion of a larger parcel of approximately 4,933 acres (west Naukati section of AMHT Land Exch.).

B. Settlement Parcel Numbers: CRM-7062 & CRM-7063 (portion of land exchange).

C. Site Characteristics/Primary Resource Values. The parcel is located on the NW section of Prince of Wales Island near the community of Naukati. The parcels are composed of a variety of topography ranging from rolling hills to low mountains with limited steeper slopes. The elevations range between sea-level to less than fifteen hundred feet. The area has been previously harvested.

D. Historical and Existing Uses of the Property. The parcels have a history of logging and are developed for that purpose. The land was previously managed by the USFS as timber development lands which included timber harvest. There is an extensive logging road system in the Naukati Area. The road connecting Naukati has been recently upgraded and paved. These lands and associated timber are a part of a land exchange with the USFS authorized by the Alaska Mental Health Trust Land Exchange Act of 2017. This sale consists of previously harvested timber (harvest conducted primarily before 1960). There is an existing road system throughout the area, limited roads will be constructed to access units previously harvested from the beach.

E. Adjacent Land Use Trends. The parcel has been extensively harvested in the past. The historical use of the area has been for timber harvest. The USFS and the State of Alaska have conducted extensive timber harvest operations in the area. The community of Naukati uses this area for subsistence gathering. The TLO and contractor have allowed firewood gathering from timber not making utilization standards.

F. Previous State Plans/Classifications. None. The property was managed by the USFS and was included within a Timber Production, Land Use Designation prior to exchange with the AMHT. The property was also referenced in the state's Prince of Wales Island Area Plan Revised October 1998 (originally adopted June 1985). The proposed use is compatible with these plans.

G. Existing Plans Affecting the Subject Parcel. The parcel is not in an organized borough.

H. Apparent Highest and Best Use. The current apparent highest and best use of this parcel is for timber development. This analysis will be ongoing, and portions may be used for alternate purposes in the future.

IV. Proposal 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 young growth timber on lands acquired by land exchange with the USFS near Naukati. The proposed timber sale is the result of both State of Alaska (SB 88) and Federal (S.131) legislation passed in 2017 approving the exchange. The exchange lands which may include all or a portion of the described lands in IIIA, that include the timber sale area in this decision, are expected to be conveyed in 2021. The land exchange has been supported by the Ketchikan Gateway Borough, City of Ketchikan, State Legislators, the Alaska Congressional Delegation, Tongass Futures Roundtable, and many other organizations. This timber sale will assist in providing timber to the SE Alaska timber industry. The competitive timber sale will be at fair market value and produce revenues which meet or exceed the average return of State and Federal timber sales. This sale has been determined to be critical in maintaining a timber industry in SE Alaska. Postponing or not conducting the sale may result in the closing of a vital component of that industry which has a direct adverse impact on future revenues to the Trust.

V. Terms and Conditions. Trust timber disposal will be conducted under conditions that reflect the fair market value and will be competitive through an Invitational for Proposal process. The resulting sale contract will be substantially the same as those used by the

TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO contract administrator and the Department of Law.

VI. Resource Management Considerations. The proposal is consistent with the TLO's adopted Resource Management Strategy (RMS) (adopted March 2016), which emphasizes disposal of Trust assets at the high end of their market values; in a manner that maximizes revenues to the Trust at prudent levels of risk. Although the timber market has fluctuated, the duration of this sale is expected to span the time to capture higher market values and the sale terms designed to benefit the Trust in improved markets. Consistent with regulation, 85% of Trust timber receipts are placed into principal account (corpus) of the Trust, while 15% is classified as income. Given the likelihood of diminishing values for Trust timber over time, near term sales will therefore result in higher annual interest distribution from the Trust's investment of principal than would be the case if timber sales occurred over a longer time frame. Therefore, offering the young growth timber as it matures is prudent as soon as the Trust receives ownership of these lands. This sale has been determined to be critical in maintaining a timber industry in SE Alaska. Postponing or not conducting the sale may result in the closing of a vital component of that industry. Loss of a primary purchaser of timber would have an adverse effect on the Trust and diminish the value of its timber assets. Timber, as a renewable resource, is expected to regenerate after harvest for potential future timber harvests. Appropriate management of these lands combined with other lands to be acquired through the land exchange can lead to sustained yield of timber in the future.

VII. Alternatives.

- A. 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 have been in fluctuation. Marketing it now competitively will allow for solid financial returns that may or may not be available in the future.
- B. Alternative 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 harvests of the timber may, in some cases, facilitate other commercial opportunities on the lands.
- C. Proposed Alternative:** This alternative will provide the Trust with revenue from the newly acquired land. The harvest should not adversely impact other future development and the accompanying infrastructure development could provide additional future opportunities.

VIII. Risk Management Considerations.

- A. Performance Risks.** Performance risks will be minimized through professional sale designs, a timber sale process will minimize the risk of having the timber being purchased at below market values or by a person or entity that does not have the demonstrated ability to perform under the contract, and by strict enforcement of the timber sale contract.

- B. Environmental Risks.** The proposed timber sales will not result in significant environmental risks to the Trust. Timber sale operations are governed by State and Federal regulations, as well as contract provisions requiring strict compliance with the Alaska Forest Resources and Practices Act to minimize the risk of environmental impacts to air, fish, and wildlife. The contract will be strictly enforced.
- C. Public Concerns.** Timber sale proposals usually result in public concerns about potential impacts. When necessary, the TLO will attempt to minimize these concerns through public outreach actions, including meetings with local government representatives in the applicable areas.

IX. Due Diligence.

- A. Site Inspection.** The TLO has experience managing timber resources in southeast Alaska. TLO staff and TLO contractors have been consulted and concur with the TLO's recommendation to harvest the subject timber. The parcels have been visited by the TLO staff and has been evaluated for timber harvest.
- B. Valuation.** Timber values will be estimated and compared to past sales conducted by the TLO, Alaska Division of Forestry, University of Alaska and USFS and will be used to determine fair market value. This method has been used to determine sale price on numerous past sales.
- C. Terms and Conditions Review.** Timber purchase and sale agreements will be similar to those used by the TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO and the Department of Law.

X. Authorities.

- A. Applicable Authority.** AS 37.14.009(a), AS 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).
- B. Inconsistency Determination.** As the proposed timber sale is specifically authorized under 11 AAC 99, any relevant provision of law applicable to other state lands is inapplicable to this action if it is inconsistent with Trust responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)) as clarified by AS 38.05.801 and Alaska Mental Health Trust land regulations (11 AAC 99). 11 AAC 99 includes determinations that certain State statutes applicable to other State land do not apply to Trust land unless determined by the Executive Director, on a case-by-case basis, to be consistent with 11 AAC 99.020. The State Statutes deemed inconsistent with Trust management principles and inapplicable to Trust land by these regulations have not been applied to this decision or this action, including, but not limited to, AS 38.04 (Policy for Use and Classification of State Land Surface), AS 38.05.035 (Powers and Duties of the Director), AS 38.05.300 (Classification of Land), AS 38.05.945 (Notice), AS 38.05.946 (Hearings), and 11 AAC 02 (Appeals), AS 38.05.112 (Forest Land Use), AS 38.05.113 (Five-Year Sale Schedule), to the extent that it does not apply to private landowners. In addition, AS 38.05.115 (limitations and conditions of sale) and its implementing regulations are hereby deemed inconsistent to the extent that they would limit volumes available for harvest by the Trust and to the extent that said limitations would benefit others at a cost to the Trust.

XI. Trust Authority Consultation. The Alaska Mental Health Trust Resource Management Committee was consulted on April 22, 2021. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust board of trustees. The board of trustees was consulted on May 26, 2021, and the board of trustees concurred with the “disposal of young growth timber acquired through exchange in the Naukati area, on, through a competitive timber sale on Trust land on Prince of Wales Island” subject to the outcome of the notice process.

XII. Best Interest Decision. Given the information above and the information contained in the complete record, the Executive Director finds that the proposed transaction is in the best interest of the Trust, subject to the terms and conditions addressed in this decision. The decision is based upon the consideration of the five Trust management principles set out in 11 AAC 99.020 and is in full compliance with 11 AAC 99. This decision does not preclude the TLO from determining that an alternative proposal will serve the best interest of the Trust. A future determination of that nature will require a best interest decision specific to the proposal.

XIII. Opportunity for Comment. Notice of this Best Interest Decision will take place as provided under 11 AAC 99.050. Persons who believe that the decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020 or any other provision of 11 AAC 99, must provide written comments to the TLO during the notice period. Following the comment deadline, the Executive Director will consider timely written comments that question the decision on the basis of the best interest of the Trust and its beneficiaries or inconsistency with 11 AAC 99. The Executive Director will then, in his or her discretion, modify the decision in whole or in part in response to such comments or other pertinent information, or affirm the best interest decision without changes. The best interest decision as modified or affirmed will become the final agency action, subject to reconsideration procedures under 11 AAC 99.060. Additional notice will be provided for a substantially modified decision. If no comments are received by the end of the notice period, this best interest decision will be affirmed, and the proposed action taken. (See notice for specific dates.)

XIV. Reconsideration. To be eligible to file for reconsideration of this Best Interest Decision, or to file a subsequent appeal to the Superior Court, a person must submit written comments during the notice period.

Persons who submit timely written comments will be provided with a copy of the final written decision and will be eligible to request reconsideration within 20 calendar days after publication of the notice or receipt of the decision, whichever is earlier under 11 AAC 99.060(b). This request must be accompanied by the fee established by the Executive Director under 11 AAC 99.130, which has been set at \$500, to be eligible for reconsideration. The Executive Director shall order or deny reconsideration within 20 calendar days after receiving the request for reconsideration. If the Executive Director takes no action during the 20-day period following the request for reconsideration, the

request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to the superior court under AS 44.62.560.

XV. Available Documents. Background documents and information cited herein is on file and available for review at the TLO, located at 2600 Cordova Street, Suite 201, Anchorage, Alaska 99503. Phone: (907) 269-8658. Email: mhtlo@alaska.gov.

The disposal action proposed by this decision will occur no less than 30 days after the first publication date of this decision, and after the conclusion of the TLO administrative process. For specific dates or further information about the disposal, interested parties should contact the TLO at the above address, or visit the website at: <https://alaskamentalhealthtrust.org/trust-land-office/>.

XVI. APPROVED:

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Wyn Menefee
Executive Director
Alaska Mental Health Trust Land Office

7/14/2021

Date

