

**The Alaska Mental Health Trust Authority
Trust Land Office
BEST INTEREST DECISION
COMMERCIAL REAL ESTATE ASSET DISPOSITION**

MHT: 9500004

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. This proposal is for the disposal of the subject property through a negotiated sale at, or above, fair market value as determined by appraisal to a purchaser consistent with the TLO’s Resource Management Strategy (“RMS”), all applicable regulations & laws, and terms acceptable to the Executive Director of the TLO.

II. Applicant/File #. MHT 9500004.

III. Subject Property.

- A. **Legal Description.** The property is located in Thurston County, Washington, and is more particularly described as follows: Section 03 Township 17 Range 2W Quarter SE SW Plat WEST BRIGHTON PARK LT 6 N2 Document 007/019 LESS ST HWY 285-305 & HWY SR5 #85-2-594-2. See Exhibit A.
- B. **Settlement Parcel Number(s).** N/A – Commercial Real Estate.
- C. **Site Characteristics/Primary Resource Values.** The subject property is known by the street address of 1111 Israel Road S.E., Tumwater, WA 98501 and contains approximately 53,484-square feet of rentable area on a 2.3-acre site.
- D. **Historical and Existing Uses of the Property.** The subject property is a three-story office building and was built in 2008. In 2014, the Trust acquired the

property as it expanded its commercial real estate holdings. The property is 100% leased to, and occupied by, two state of Washington government tenants.

- E. Adjacent Land Use Trends.** Compatible commercial and business uses are found throughout the neighborhood.
- F. Previous State Plans/Classifications.** None known.
- G. Existing Plans Affecting the Subject Parcel.** TC / Town Center. Permitted Uses: Primarily office uses. The property is a legal, conforming use.
- H. Apparent Highest and Best Use.** The highest and best use of this property is negotiated sale as improved, as the rationale originally justifying the acquisition has been accomplished.

IV. TLO's Land Management Authority. Under Alaska statutes and the "Limited Liability Company Agreement of 1111 Israel Road, LLC" (Israel Road Agreement), the TLO is the land manager of the Israel Road Property. AS 44.37.050, requires that "To carry out its duties under AS 38.05.801, the Department of Natural Resources [DNR] shall establish a separate unit with responsibility for management of the mental health trust land." DNR complied with this mandate and created the Trust Land Office (TLO). AS 37.14.009(a)(2), consistent with AS 38.05.801 and AS 44.37.030, affirms that the TLO, not the Alaska Mental Health Trust Authority (AMHTA), manages AMHTA lands. Consistent with these statutes, the Israel Road Agreement states, "The Trust Land Office, a unit of the Alaska Department of Natural Resources established pursuant to Alaska Statutes AS 44.37.050 to act for the Department of Natural Resources in managing land assets of the Member [i.e. AMHTA] pursuant to Alaska Statutes Section 37.14.009, shall be the initial Manager and shall act as the Manager unless and until it shall resign or shall be removed in accordance with the provisions of this Agreement and Alaska law." As the land manager, the TLO has a duty to ensure AMHTA's assets are managed "in the best interest of the Alaska mental health trust and its beneficiaries." The TLO, therefore, recommends the disposal of the Israel Road Property in its capacity as the property's land manager.

V. Proposal Background. Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. The Israel Road property has now been held by the Trust for ten years and has provided solid returns. The TLO is in the process of negotiating a lease extension with the State of Washington. However, the TLO has received interest from multiple parties potentially interested in purchasing the property. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

Because it is an out-of-state property, this is a unique Trust property; therefore, its disposition process, accomplished through a commercial real estate broker, will be unique to ensure adequate marketing, competitiveness in the investment community, and the highest returns to the Trust. Being an out-of-state property limits the scope of TLO's management authorities to use this property for other purposes or some other development. Therefore, there are only two uses of this property: to retain it or to dispose

of it. In consideration of the AMHTA Commercial Real Estate Investment Management Guidelines dated 10/20/2023, disposal is in the best interest of the trust beneficiaries.

For the reasons provided herein, the property sale will be done prudently, marketed widely, and exposed to the market for the necessary length of time to ensure the highest reasonable gains are secured. To conclude, disposal of this property is prudent, efficient, and ensures protection of the corpus.

- VI. Terms and Conditions.** The minimum price will be at, or above, fair market value as determined via appraisal with final terms and conditions to be negotiated through execution of a purchase and sale agreement, as appropriate and acceptable to the Executive Director of the TLO.
- VII. Resource Management Considerations.** The proposal is consistent with the “Resource Management Strategy” (RMS), adopted October 2021 in consultation with the Trust, which provides for recommendations to the Board of Trustees when it is prudent to make changes to the portfolio structure, property ownership, sale, or acquisitions.
- VIII. Alternatives.** The alternatives evaluated for this proposal are:

Defer disposition to a later date – maintain ownership while continuing to administer and collect revenues from the existing lease to the state of Washington government tenants with hope of achieving a superior offer at some point in the future. This alternative is viewed as involving greater risk as the uncertainties of future market dynamics may prove less attractive thereby diminishing the gains secured to date.

- IX. Risk Management Considerations.**
 - A. Performance Risks.** Sale will be upon cash terms with no risk to the Trust principal. Current market conditions will be evaluated and considered prior to any sale.
 - B. Environmental Risks.** No unusual conditions observed. Property is assumed to be free of any environmental concerns.
 - C. Public Concerns.** None known.

- X. Due Diligence.**
 - A. Site Inspection.** The property has been inspected on many occasions by numerous employees of the TLO. Additional inspection(s), surveys, studies, and reports, as required to confirm the condition and suitability of the property for the offeror’s intended purposes shall be the responsibility of the purchaser, and the purchaser’s own due diligence.
 - B. Valuation.** The minimum sales price will be at, or above, fair market value as determined via appraisal.
 - C. Terms and Conditions Review.** Final terms and conditions remain to be established through the completion of a Purchase and Sale Agreement to be developed and approved by the Executive Director. The TLO has authored and

executed similar agreements in the past. Outside and internal legal counsel will be consulted as necessary.

XI. 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 sale or lease at fair market value 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).

XII. Trust Authority Consultation. The Board of Trustees was consulted on May 22, 2024, and the Board of Trustees adopted the motion stating, *“The Alaska Mental Health Trust Authority board of trustees concurs with the Trust Land Office (TLO) recommendation to proceed with disposal of 1111 Israel Road., Tumwater, Washington at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”*, subject to the outcome of the notice process.

XIII. 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.

XIV. 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 may

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.)

XV. 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). 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.

XVI. Available Documents. Background documents and information cited herein are 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: www.alaskamentalhealthtrust.org.

XVII. APPROVED:

DocuSigned by:

Jusdi Warner

Jusdi Warner

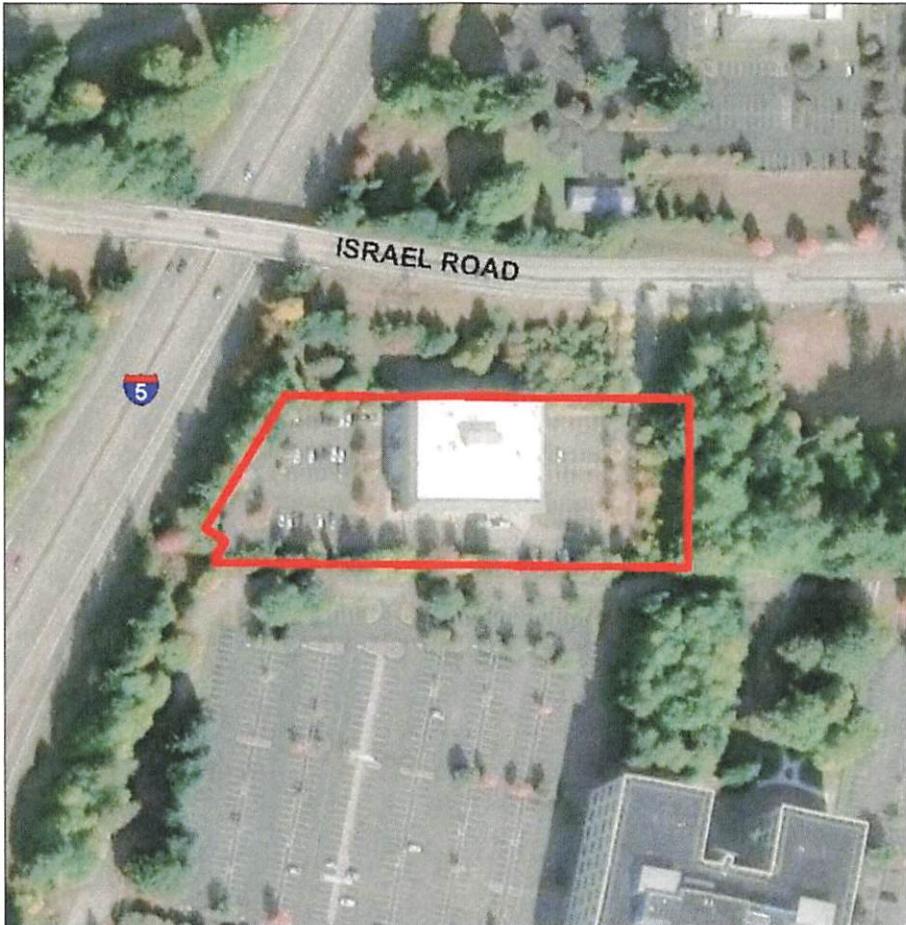
Executive Director

Alaska Mental Health Trust Land Office

5/29/2024

Date

Exhibit A



Israel Road

Located in Olympia, Washington

 MHT 9500004 Feet

Alaska Mental Health Trust Authority
Trust Land Office
Notice under 11 AAC 99.050 of
Commercial Real Estate Asset Disposition – Tumwater, WA
MHT 9500004

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 dispose of certain Trust property in Tumwater, WA. 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 property affected by the decision is located in Tumwater, WA and is known by the street address of 1111 Israel Road S.E., Tumwater, WA 98501 and contains 53,484-square feet of net rentable area on a 2.3-acre site.

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, July 3, 2024**. **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 Warner

Jusdi Warner

Executive Director

5/29/2024

Date

Published Anchorage Daily News: 6/03/2024