

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

April 17, 2014

10:30 a.m.

Taken at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508

Trustees Present:

Larry Norene, Chair
Laraine Derr
Paula Easley
Mary Jane Michael
Mike Barton
John McClellan
Russ Webb

Trust Staff Present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Kevin Buckland
Mike Baldwin
Marilyn McMillan
Carley Lawrence
Amanda Lofgren

TLO Staff Present:

Marcie Menefee
John Morrison
Sarah Cunningham
Leann McGinnis
Victor Appolloni
Cindi Bettin

Also Participating:

Suzanne West (telephonically); Jamey Duhamel (telephonically).

PROCEEDINGS:

CHAIR NORENE calls the April 17, 2014 to order and recognizes the Trustees present. He asks for any announcements. There being none, he asks for any changes to the agenda.

TRUSTEE DERR makes a motion to approve the agenda.

There being no objection, the motion is approved.

CHAIR NORENE moves on to approval of the minutes of January 3, 2014.

TRUSTEE DERR makes a motion to approve the minutes of January 3, 2014.

There being no objection, the motion is approved.

CHAIR NORENE moves to Consultations, and recognizes Victor Appolloni.

CONSULTATIONS

NEGOTIATED SALE BIG LAKE AREA

MR. APPOLLONI states that the Trust Land Office proposes to dispose of a 160-acre parcel in the Big Lake area to the Great Land Trust. He continues that it is part of the Alaska Railroad extension from the Port to Houston. He adds that it was appraised, but after review of the appraisal, there were some inconsistencies and another 20 percent was added, for a total sale of \$150,000.

MR. JESSEE asks when the Great Land Trust gets it, what do they do with it.

MR. APPOLLONI replies that the Corps of Engineers' requirements for wetlands conservation has to be met. He states that when wetlands credits are given, a wetlands bank sells the credits, and then they sell the credits to the Alaska Railroad.

MR. JESSEE asks if the Great Land Trust will make some money on the deal.

MR. APPOLLONI replies, possibly.

MR. JESSEE asks what needs to be done to become a wetlands bank.

MR. APPOLLONI replies that senior staff in the office is looking into the matter.

MS. MENEFEE states that a proposal will be brought before the committee when it is ready.

CHAIR NORENE states that the Trust Land Office recommendation states that it is in the Trust's best interest to proceed with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust for no less than \$150,000. He asks for a motion.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust, as proposed.

A discussion ensues on the difference in the appraisal.

CHAIR NORENE asks for the motion to be restated as modified.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust for \$150,000 or more.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the next item, another negotiated sale.

MR. APPOLLONI states that this is a proposed disposal of a 40-acre parcel on top of the Bodenbug Butte near Palmer. He continues that currently it is a destination for public recreation, especially for hikers, and the Mat-Su Borough came looking for a trail easement. He adds that after looking at the parcel it was best to dispose of it to limit management cost and Trust liability. He continues that the Mat-Su Borough did not have the funds to purchase, and the Great Land Trust was approached to see if they were interested. He states that the Great Land Trust will purchase the parcel and transfer title to the Borough. He continues that a trail easement will be put in to preserve the parcel for public use, and the negotiated sale price was set at \$187,500.

A discussion ensues on the Great Land Trust and assurance on this parcel going to the Borough.

MR. APPOLLONI states that the Great Land Trust will transfer the title to the Borough by June 30th. He adds that the restrictions are that the Borough will not be able to develop it, and that there will be conservation easements for the trails for continued public use.

The discussion continues.

TRUSTEE DERR makes a motion that the Resource Management Committee concur with the negotiated sale of a 40-acre Trust parcel in Butte, Alaska, to the Great Land Trust for \$187,500.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

REAL ESTATE BUDGET

CHAIR NORENE moves to the real estate budget.

MR. MORRISON states that these are funds that are collected from various buildings the Trust owns. He continues that, currently, there are six properties that require operating budgets, some within the real estate plan and some not. He adds that this is a request based on the budgets for the next year to expend the funds which are just under \$3.3 million on the expenditure side. He states that these budgets are written in light of the concepts and goals set forth in the real estate management plan. He adds that there is a synopsis of the cash outflows within the packet.

A discussion ensues with questions, answers, and explanations of the issues.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends to the Board of Trustees to approve the incremental building expenditures covering \$3.287 million budgeted for FY15 to be paid by the property manager from rents and other income collected from the properties.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to updates, and recognizes Marcie Menefee.

UPDATES

MS. MENELEE states that in July or August of this year the Agreement to Initiate for the land exchange with the U.S. Forest Service in Southeast Alaska is on target to be signed, which will start the federal process, which includes the NEPA. She continues that a minerals exploration lease was awarded to Constantine in the Haines area for quite a large parcel of Trust land which is primarily just the mineral estate; the surface estate is owned by the State of Alaska. She moves on, stating that the timber sale harvest in Wrangell is finished. She adds that there was some opposition from some of the neighbors and those concerns were mitigated by having the contractor work with the Borough for alternate access. She states that it was not a large sale, but took a lot of work. She moves on, stating that the Department of Transportation is sending survey and engineering crews to Icy Bay this month and next month to evaluate a marine access facility there. She adds that this is Roads to Resources money which could potentially lead to more Roads to Resources investment. She asks for any questions.

TRUSTEE DERR asks what kind of response was received on the Haines award.

MS. MENELEE replies that it was a good one.

CHAIR NORENE asks for any other questions on the monthly report.

MS. MENEFEE states that there is potential new contamination on a Trust parcel in Wrangell that was recently discovered. She explains that the license was for a saw mill, but the licensee was actually operating a scrap metal operation, among other things, that were not allowed within the terms of his license. She continues that staff went down, did a visual inspection, took pictures, put together reports, and talked to DEC. She adds that DEC put together a criminal investigation. She states that the licensee is complying, but the extent of contamination will not be known until the environmental consultant finishes the report. She adds that she will keep the Trustees apprised of the progress.

MR. JESSEE asks who is liable.

MS. MENEFEE explains that the Department of Environmental Conservation goes after the landowner if everyone else who has some obligation is not able to pay or able to clean it up. She adds that, at the end of the day, the Trust has the liability because the Trust owns the land.

A discussion ensues.

TRUSTEE McCLELLAN states that there could be some liability here for the Trust Land Office or DNR.

The discussion continues.

CHAIR NORENE asks to be kept updated, and then asks for anything else. He recognizes Paula Easley.

TRUSTEE EASLEY states that she would like to talk about the use of Trust lands for mitigation purposes and would like to see as few lands as possible being used for that purpose simply because there are so many lands in the state already set aside from development, and as far as the Trust is concerned, to have a philosophy of taking as few lands out of production or potential production as possible.

CHAIR NORENE asks if she is referring to wetlands.

TRUSTEE EASLEY replies yes, and adds that she is not in favor of the Trust lands being used as a "mitigation property."

CHAIR NORENE asks for an update.

MR. MORRISON states that this is being looked at from a business perspective, and there are definitely feelings on both sides as to the reason mitigation banks hold value. He continues that, in the current regulatory scheme, wetlands cannot be developed unless other wetlands are protected; and it is becoming very specific as to the various aspects of the wetlands to be preserved. He states that there are many opportunities identified, some near resource projects and others in urban settings, where values can be \$100,000 an acre. He continues that it is an opportunity to turn an unproductive asset into something of value.

CHAIR NORENE recognizes Mike Barton.

TRUSTEE BARTON states that he agrees with Trustee Easley, adding that there is a need to approach the use of Trust assets for mitigation purposes with a great deal of caution. He adds that it can be done on a case-by-case basis if everything is known about a piece of ground. He continues that is not possible because of the ground minerals.

A discussion ensues.

TRUSTEE MICHAEL asks if mitigation is on the property, is it there forever, and is the responsibility for that property for life.

MR. MORRISON replies yes, and the Corps has various requirements placed upon the owner of the property and the holder of the easement, and he explains them.

CHAIR NORENE asks Cindi Bettin if she has anything to add.

MS. BETTIN states that the TLO is currently evaluating a compensatory mitigation program. The findings from the evaluation will be put into a white paper for the Board of Trustees to review. Ms. Bettin adds it is the intent to have the white paper presented at the August meeting.

The discussion continues.

MR. JESSEE brings up the issue with the ARC and what is viewed as the typo that was supposed to be a 99-year lease that ended up with 964 at this point. He states that even with a 999-year lease, they do not have a fee. He continues that it has no economic value to them, and if the Trust could purchase that, they would have some capital, which would be helpful to them. He also would like to talk to them about the Northern Lights frontage, because it is an incredibly valuable property with an unused baseball field.

TRUSTEE BARTON states the need to be careful and not get the policy decisions mixed up with specific projects or specific parcel decisions. He adds that there is a high potential for helping the Trust in the short term, but not in the long term.

TRUSTEE EASLEY states that the Trust Land Office lives by protecting and enhancing the value of Mental Health Trust lands while maximizing revenues from those lands over time.

The discussion continues.

TRUSTEE DERR states that this discussion leads into one of those broader discussions about telling the resource group how much money is wanted per year. She adds that that discussion is needed.

The discussion continues.

CHAIR NORENE states that there are times when it is a good decision to sell and the trend line, the last 30 years of environmental requirements and all, is against the landowner. He adds that there are times to sell and are times to hold. He asks for anything else to come before the Resource Management Committee. There being none, he adjourns the meeting.

(Resource Management Committee meeting adjourned at 11:40 a.m.)