

The Alaska Mental Health Trust Authority Trust Land Office

BEST INTEREST DECISION Hollis Community Negotiated Sale

MHT 9100701
MH Parcel C30019.001

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 (P.L. 84-830, 70 Stat. 709 (1956)), 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 of parcel C30019.001 through a negotiated land sale.

II. Applicant/File #. Hollis Community Council/MHT 9100701.

III. Subject Property.

A. Legal Description.

Township 74 South, Range 084 East, Copper River Meridian
Section 4: That portion of Tract 4B of Alaska State Land Survey No. 96-31, recorded as Plat 97-50, Ketchikan Recording District, Alaska, more particularly described as follows: Beginning at WCMC 4, Alaska Tideland Survey No. 902, recorded as Plat 99-12, Ketchikan Recording District, Alaska, a brass cap monument marked “A.T.S. 902, WC-MC4, 3099S 1973”, the True Point of Beginning;
Thence North 3° 37’ 03” East 632.92 feet to the natural mean high tide line;

Thence westerly and southerly and easterly along the natural mean high tide line to Meander Corner 4 A.T.S. 902;
Thence North 8° 05' 59" W 54.70 feet to the Point of Beginning;
containing approximately 5.7 acres, more or less as depicted in Attachment 1.

B. Settlement Parcel Number. C30019.001

C. Site Characteristics/Primary Resource Values. The subject property is a 243,936 square foot or 5.7 acres unimproved land on a peninsula surrounded by waterfront on three sides and electricity nearby. It is located near Hollis on Hollis Anchorage. Hollis is located on the east side of Prince of Wales, 19 miles east of Craig by road, and 35 miles west of Ketchikan by water. Access to the subject property is via Hollis Chilkat Road which connects with the main Craig-Klawock Hollis Road about 1,000 feet to the north. Communities outside of Prince of Wales access Hollis by either seaplane or ferry. The subject topography is up-sloping from the tidelands area. The parcel is covered by second growth timber.

The primary resource value of this parcel is real estate.

D. Historical and Existing Uses of the Property. The subject property and the remainder of the peninsula were previously U.S. Forest Service (USFS) lands. In the early 1950's, Ketchikan Pulp Company held timber contracts with the USFS. The infrastructure supporting the timber contracts included offices, bunkhouses, equipment maintenance shops, and fuel storage facilities to support 350 people. In 1963, all operations moved to Thorne Bay. The buildings were disassembled and removed by barge.

A barge ramp remains adjacent to the subject parcel. Inter-island ferry service to Hollis began in the early 1970's and used the barge ramp for both people and cargo. After completion of the Craig-Klawock Hollis Road, ferry service was discontinued at the barge ramp and moved to the new Hollis ferry terminal located at Clark Bay. The older barge ramp is now used by mining, logging, and construction companies.

Under Quitclaim Deed No. 8000085, the Department of Natural Resources (DNR) conveyed the subject property to the Trust on October 28, 1999 and it was recorded on November 8, 1999. The patent date is July 10, 1992.

E. Adjacent Land Use Trends.

Under AS 38.05.810, Public and Charitable Use, the applicant applied to DNR August 28, 2008 to obtain the 7.5 acre parcel located on the east side of the subject parcel. Purchase of the adjacent parcel will provide the area necessary for the applicant to execute the Hollis Community Strategic Action Plan (Hollis Plan). The Hollis Plan includes the development of a community center, public library, a visitor's center, a youth recreational area, a public laundromat, and a 60-plus slip boat harbor and parking area. The barge ramp is a key component of the Hollis Plan because it provides one of

the only points on the east side of Prince of Wales Island for a large flat staging area with access to the road system.

F. Previous State Plans/Classifications. Prince of Wales Island Area Plan dated 1998. Under Unit 12b Hollis, the State of Alaska acknowledged that, “The dispersed community needs land to establish public facilities and commercial services (Chapter 3, page 200).”

G. Existing Plans Affecting Area. City of Craig hired Sheinberg Associates to draft a Prince of Wales Borough Feasibility Study; it is anticipated to be complete by April 2013.

H. Apparent Highest and Best Use. The subject parcel is located in an Unorganized Borough and therefore, it is not zoned. The Appraisal Report prepared January 27, 2012 by The Skan Company of Klawock, states that the highest and best use is residential. As suggested in Section IV E and F above, an acquisition by Hollis for the purposes of commercial and industrial development is a concurrent highest and best use for the property.

IV. Proposal Background. The proposed sale is comprised of a 5.7 acre parcel. The Trust recognizes that the location of the parcel is particularly suited to the community of Hollis because of the adjacent public use history. Besides commercial development, Hollis plans to develop a modern medevac heliport that will service not only Hollis but also Klawock, Craig, and Thorne Bay.

Based on a fair market appraisal, the applicant applied for and received a legislative grant to purchase the subject parcel.

V. Terms and Conditions. The applicant negotiated a sale price of \$275,000 which is 10% above the appraised value of \$250,000.

VI. Asset Management Considerations. The proposal is consistent with the TLO’s adopted *Long Term Asset Management Strategy* which emphasizes maximizing return at prudent levels of risk and removing or preventing liability risks.

VII. Alternatives. The applicant previously identified the subject parcel as necessary for expansion of the Hollis city center. A lengthy due diligence process evaluated TLO development options as outlined below:

A. Do Nothing. This alternative diminishes the opportunity the TLO has with a ready and willing buyer.

B. Alternative Development. It is feasible to subdivide the subject parcel for either residential or commercial use. The competitive market is weak and growth to bring the measureable return on potential real estate development would not meet the requirements

outlined in the in the Alaska Mental Health Trust Authority, *Resource Management Strategy* dated June 2012.

- C. **Proceed as Proposed.** This is the preferred alternative to maximize revenue in an area whose economic trend has been slowing. The Hollis area population has decreased from 1,000 at the turn of the century, to 350 people in the mid-1950's, and to the present day population of 106 people (2011 Alaska Department of Labor estimate). Whereas Hollis provides support to logging operations and State ferry services, there is no other economic base to support employment. About 21% of all residents have incomes below the poverty level and the local unemployment rate is approximately 40% (Alaska Community Database Information Summaries).

VIII. Risk Management Considerations.

- A. **Performance Risks.** The TLO requires the applicant to submit the sale value in full prior to execution of the conveyance deed.
- B. **Environmental Risks.** A Phase One Environmental Assessment was completed for the Trust by R&M Engineering-Ketchikan, Inc., September 30, 2002. The report found abandoned vehicles with petroleum products leaching into the ground. The vehicles have since been removed and the TLO is not aware of any environmental hazards on the subject property.
- C. **Public Concerns.** Subject to additional comments received through the public notice process, no known adverse public concerns are anticipated.

IX. Due Diligence.

- A. **Site Inspections.** Staff is very familiar with the project. Of late, a TLO contractor recently inspected the site and photos of the site have been obtained. Previously, multiple directors have conducted site inspections and met with Hollis representatives regarding Hollis development plans and land acquisition goals.
- B. **Valuation.** Land value using the sales comparison approach was agreed upon based on an adjusted value of an appraisal completed January 27, 2012.
- C. **Terms and Conditions Review.** The purchase agreement form and the quit claim deed used for the negotiated sale have been reviewed by the Department of Law to best serve the interests of the Trust.

X. Authorities.

- A. **Applicable Authority.** Alaska Statutes 38.05.801, and 11 AAC 99.
- B. **Inconsistency Determination.** As the proposed negotiated 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), 11 AAC 02 (Appeals); and AS 46.40 (Alaska Coastal Management Program), to the extent that it does not apply to private land owners.

- XI. Trust Authority Consultation.** The Trust Resource Management Committee was consulted on January 3, 2013 and concurred with the negotiated sale subject to the outcome of the notice process.
- XII. Best Interest Decision (“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 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 Alaska Mental Health 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 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 Decision will be affirmed and the proposed action taken. (See public notice for specific dates.)
- XIV. Reconsideration.** To be eligible to file for reconsideration of this 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, 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 Trust Land Office, located at 2600 Cordova Street, Suite 100, 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 Trust Land Office administrative process. For specific dates or further information about the disposal, interested parties should contact the Trust Land Office at the above address, or visit the TLO website at: www.mhtrustland.org.

XVI. APPROVED:

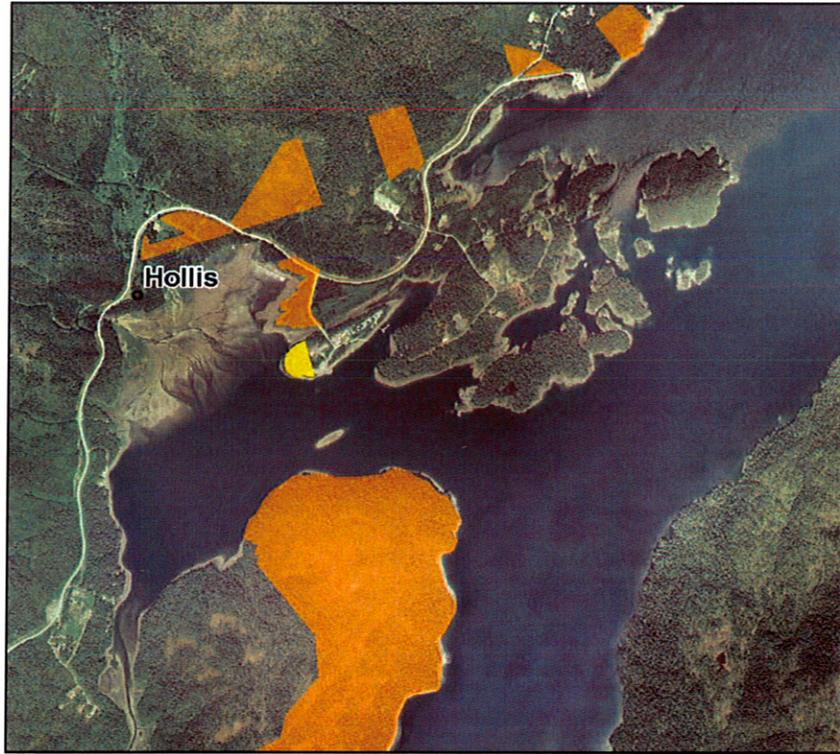
By: 
Gregory L. Jones
Executive Director

Date 1/04/2013

Attachment 1

Hollis Community Council Negotiated Sale

Parcel C30019.001



-  Parcel C30019.001
-  Other Mental Health Trust Land Parcels

