

The TRUST LAND OFFICE

September 17, 2014

Kathy O'Rear, MMC
Petersburg Borough Clerk
Petersburg Borough Administration
P.O. Box 329
Petersburg, Alaska 99833

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7012 0470 0002 5162 0070**

RE: MHT 9100744 Petersburg Borough Request to Remove Seaduck Subdivision Lots 5, 6, and 7 from the 2014 Fall Land Sale

Dear Ms. O'Rear:

The Trust Land Office (TLO) is in receipt of the Petersburg Borough Assembly (Borough) letter of August 25, 2014 requesting that the TLO consider removing Lots 5, 6, and 7 of Seaduck Subdivision from the 2014 Fall Land Sale. The letter indicates a desire for additional time to further investigate the possibilities of acquiring lands for public purposes warrants postponing the sale.

Last week the TLO removed all of the Seaduck Subdivision parcels from the 2014 Fall Land Sale to complete our administrative process. This was an oversight on our part. The process will include consultation with the Board of Trustees on October 15, 2014. Subsequently, a notice of the decision to sell Trust land will be published on October 16 and close on November 18, 2014. All interested parties 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 must provide written comments to the TLO during the notice period. The best interest decision as modified or affirmed will become the final agency action, subject to reconsideration procedures under 11 AAC 99.060. This notice period will give the Borough and other interested parties an opportunity to comment on the TLO disposing of these same Trust parcels in an upcoming land sale.

Some background information is offered here to further illustrate how the TLO arrived at the decision to advance the Seaduck parcels in a competitive sale. In April of 2013, the TLO solicited the Borough regarding the Borough's interest in acquiring Tract 8B (See Figures 1 and 2) to enlarge the footprint of Papke's Landing. At that meeting, the TLO discussed the negotiated sale process and informed the Borough that the survey costs typically borne by the buyer were already paid and the sale process timeline typically takes one to two years. It was agreed that if the Borough was interested, the process would begin with a submittal of an application and a \$500 nonrefundable application fee.

The TLO received an application on July 1, 2013 from the Borough to enter into a negotiated sale process to purchase Tract 8B. In the fall of 2013, the TLO responded with two letters to the Director of Community Development (DCD) that contained detailed instructions that required the Borough hire an appraiser to value the property. The TLO did not suggest that the appraisal would expire after 30 days as has been indicated in the local paper. The TLO was fully prepared to wait for the Borough to procure the legislative funds and continue the negotiated sale process to complete the sale.

TLO staff solicited Borough representatives to meet in Petersburg on November 6, 2013 to answer any questions concerning their application. During that meeting attended by the City Manager, the Harbormaster

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and the DCD, the Borough outlined its priorities and informed TLO staff that the purchase of Tract 8B was not a priority of the Borough. The TLO received no further communication from the Borough confirming the beginning of the appraisal process. On January 28, 2014, the TLO sent an email to the DCD stating that if the sale was to continue, a written response of continued interest was requested by February 15, 2014. The Borough did not respond. TLO sent a letter on February 18, 2014 to the DCD stating that the sale was terminated. No objection was made regarding the sale termination. The TLO did not hear from the Borough for over 9 months until the August 25, 2014 letter which requested the removal of Seaduck Lots 5, 6, and 7 from the 2014 Fall Land Sale.

The TLO has tried in earnest to keep the Borough apprised of each step of the negotiated land sale process, the subsequent development of Seaduck Subdivision, and suggested by way of an email dated June 30, 2014 that the Borough still has an opportunity to purchase individual lots and participate in the competitive land sale process.

In closing, the TLO has a fiduciary responsibility under 11 AAC 99.020 to maximize revenue from Trust land and manage Trust lands solely in the best interest of the Alaska Mental Health Trust and its beneficiaries. Based on our knowledge of the current markets in Petersburg and the completion of our administrative process, the TLO plans to move forward with adding the Seaduck Subdivision to the 2014 Winter Land Sale. As a courtesy and consistent with prior communications, the Borough will be sent January 2015 land sale dates and a Bid Response form needed to bid in the 2015 land sale.

If you have any further questions, feel free to contact the Southeast Lands Manager Katy McKerney at 907.465.6934.

Sincerely,



Marcie Menefee
Executive Director

cc: Representative Sam Kito III
Jeffrey Jessee, CEO, AMHT

Enclosures:
Figure 1
Figure 2

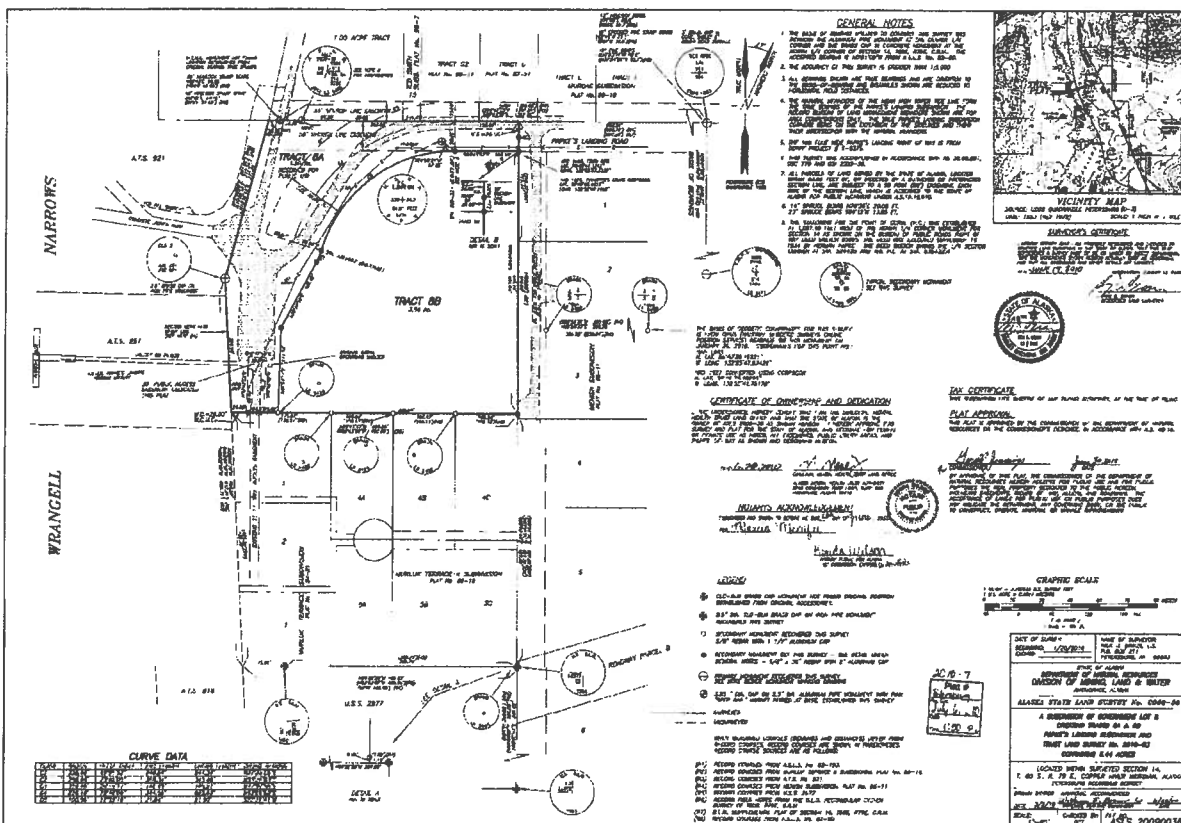


Figure 1. Alaska State Land Survey No. 2009-36, a subdivision of Government Lot 8 creating Tracts 8A and 8B.

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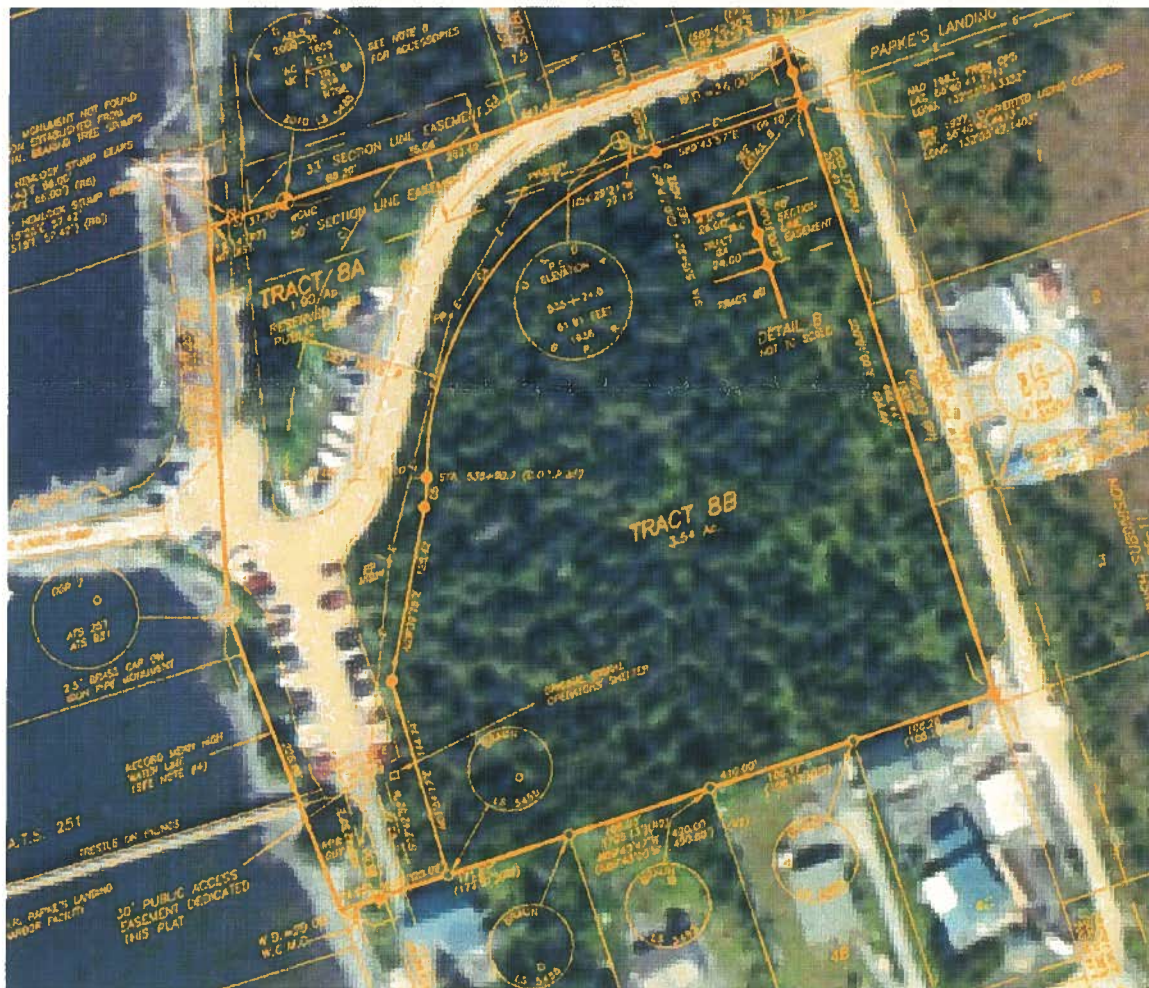


Figure 2. Tract 8B, 3.54 acres.