

To: Members, Senate Finance Committee
From: Mary Wilson, CEO *MW*
Date: 2/18/2024
Re: Follow-up to February 6, 2025 Presentation

MEMO

On behalf of the Trust, thank you for the opportunity to present before the Senate Finance Committee and to provide an update on Trust's finances and work on behalf of beneficiaries.

Below you will find responses to questions posed by the committee for which we pledged to provide follow-up information.

1) Sen. Kiehl: How was the reclassification of one of your real estate assets, the Cordova Building in Anchorage, from a commercial real estate property to a program-related real estate property reflected in the books?

This transition was effective July 1, 2025 and has not yet impacted the financial statements. It will be reflected in the statements for FY25. The bottom-line equity of CRE assets is reflected in the Trust's financial statements. While removal of the Cordova property from the CRE investment portfolio will appear as a reduction of the total equity value of the Trust's CRE investment portfolio, no value or income is lost but only shifted into a different Trust-owned portfolio (the Program-Related Real Estate portfolio). Real estate assets that are not for investment purposes are generally reported as a fixed asset and the building will be depreciated over time.

The 'Cordova' building was purchased primarily for the TLO to have an office, but it was understood at that time that it would be a benefit to the Trust to have that office building also generate revenue for beneficiaries. Currently, a beneficiary-serving organization occupies multiple suites. Since the Trust intends to hold the property for operational purposes and it is also used for beneficiary-serving organizations (although also has several spaces rented to private tenants to provide additional income to the Trust) this property was removed from the investment portfolio to be managed as a program-related real estate.

2) Sen. Hoffman: Please provide some detail on what the Trust is doing on a statewide basis related to homelessness.

Housing has been a formal Trust Focus Area since 2006. The Housing Focus Area has two priorities for funding: policy coordination and capacity development, and beneficiaries have safe stable housing with tenancy supports. The Trust has supported and will continue to support evidence-based practices and innovative solutions to end homelessness for beneficiaries and ensure beneficiaries have access to safe affordable housing. The Trust prioritizes projects that provide a long-term opportunity for Trust beneficiaries to access affordable housing and supportive services.

From 2006 to 2024 the Trust has invested in more than 450 housing-related grants totaling more than \$80M.

- Permanent Supportive Housing (PSH) projects supply both affordable housing and supportive services to maintain housing stability for people who are chronically homeless and serve nearly 100% Trust beneficiaries in every project. The Trust has provided partner funding to PSH projects in Anchorage, Fairbanks, Juneau, Nome, Bethel, Sitka, and Ketchikan.
- Rapid rehousing connects families and individuals experiencing homelessness to permanent housing through a tailored package of assistance that includes time-limited financial assistance and targeted supportive services. The Trust has provided partner funding to rapid rehousing projects in Anchorage, Fairbanks, and Juneau.
- Other projects have focused on special populations. The Trust has partnered with AHFC, DOC, and the reentry coalitions to provide housing options for beneficiaries returning to the community after incarceration. Partner funding was provided to the Complex Care Shelter, a long-term shelter in Anchorage for seniors and people with disabilities. Partner funding was recently awarded for recovery housing that is permanent and is expected to be built in Juneau in the next year, pending additional funding.
- Housing Coordinator positions were funded in Anchorage, Fairbanks, Juneau, Kotzebue, and Ketchikan to help enhance the infrastructure of local governments to build or improve their local homeless response system.

Projects named in the FY26 budget: Rural Housing Coordinator in Ketchikan (policy/capacity), Affordable Housing Development Position (policy/capacity), Special Needs Housing Grant (SNHG), Homeless Assistance Program (HAP), Discharge Incentive Grant (DIG) and Beneficiary Housing Projects & Related Services. The Trust also recommends GF/MH expenditures for the HAP and SNHG programs administered by the Alaska Housing Finance Corporation (AHFC) and the Home Modifications & Upgrades program administered by Dept. of Health Senior and Disability Services.

3) Sen. Kaufman – Please provide some information about how we plan analyze our overhead and staffing levels.

The new CEO of the Alaska Mental Health Trust Authority, Dr. Mary Wilson, joined the Trust on Jan. 22, 2025. Dr. Wilson will be working closely with Trust finance and operations leadership to analyze Trust agency spending to ensure that staffing and operational costs are appropriate. This review will include overhead costs as well as agency spending to support activities such as the management of and revenue generation on Trust lands, and leadership in improving Alaska's system of care for Trust beneficiaries.

4) Sen. Hoffman: Please provide a map indicating the locations Trust lands.

An interactive map that shows all Trust-owned lands can be viewed on the Trust Land Office website. Here is the link: <https://soa-dnr.maps.arcgis.com/apps/webappviewer/index.html?id=46b2208164754c708436d63de569b06d>

5) Sen. Hoffman: Please provide more detail on the Icy Cape mineral exploration project.

A memo with additional detail about the Icy Cape project is attached. This memo includes information about the project's risk analysis following up to questions from Sen. Kiehl.

6) Sen. Stedman: Please provide more detail on the Trust commercial real estate properties such as a multi-year look at market value, equity, explanation on lease-up costs, and cashflow.

The Trust is currently working on a multiyear summary of the CRE portfolio, incorporating the sale of two recent assets, and will provide this to the committee upon completion.

Lastly, a clarification: Sen. Hoffman asked if the board of trustees submits the names of potential board members to the Governor. The Trust does submit names to the Governor for their consideration, but that list of recommendations is developed following a process outlined in statute (AS44.25.210) wherein a panel of one person selected by each of the following entities interviews applicants: the Alaska Mental Health Board, the Governor's Council on Disabilities and Special Education, the Advisory Board on Alcoholism and Drug Abuse, the Alaska Commission on Aging, the Alaska Native Health Board; and the Trust Authority.

Please reach out to our office if you have additional questions.

Memorandum

To: Senate Finance Committee

Date: February 18, 2025

From: Dr. Karsten Eden, CPG, EurGeol, Chief Geologist

Thru: Jusdi Warner, Executive Director

Subject: Icy Cape Gold and Industrial Heavy Minerals Project



The Icy Cape Gold and Industrial Heavy Minerals Project is a unique and extraordinarily large-volume placer gold and industrial minerals sands exploration project that is designed, managed, and executed by the Trust Land Office (TLO) on behalf of the Alaska Mental Health Trust Authority ("Trust"). The district-scale magnitude of the Trust's land position in the area coupled with recent high-grade mineral discoveries made by the TLO make this an exciting Project that has caught the attention of domestic and international mining and exploration companies and industrial heavy minerals (HM) producers.

The Icy Cape Property is located in the Gulf of Alaska near Icy Bay about 75 miles northwest of Yakutat. The Property encompasses about 48,000 acres of which about half is underlain by glacial and nearshore marine sediments.

The Minerals & Energy (M&E) Section initiated the Project in 2015. It is a staged and incremental effort with a focus on gold extraction with garnet, and other HM as co-products. Between 2015 and 2020 the Trust funded a preliminary exploration program of these assets. Geophysical data designed and specified by the TLO and collected in 2016 was published in 2021 in a collaborative publication with the AKDNR. Other peer reviewed publications were produced as well. During 2017 and 2018 the Project collected stratigraphic framework and resources assessment drill-core samples on the Property. Those efforts resulted in indications of significant placer gold and HM resources in two sedimentary resource units. During the 2019 and 2020 field exploration seasons, the TLO identified four prospects for follow-up exploration drilling.

In 2020 TLO contracted Hatch, a leading international consulting firm specializing in the mining, mineral and metals industries, to provide an independent review of the Project. Based on TLO's encouraging exploration results, Hatch recommended that TLO further develop the Project to define economic parameters and resources so that returns to the Trust can be maximized. The review also recommended further exploration and development work to advance the mineral resource estimates of at least one prospect to an indicated resources level followed by a preliminary economic assessment (PEA) study. In Hatch's opinion to achieve maximum return on investment, the Trust's best option is to advance the Project to a PEA stage using compliant indicated resource estimates and to continue dialogue with the mining industry to engage suitable partners for the Project.

Following Hatch's expert advice, TLO consulted with the Resource Management Committee of the Trust and the Board of Trustees in January 2021 to request resource definition drilling funding to delineate a compliant indicated resource and commission a PEA study for the Grinder Prospect area. The Board of Trustees approved \$10M for the work program at the Grinder Prospect.

The first phase of resource definition drilling at Grinder was conducted during June, July and August of 2022. The second phase was conducted in May, June, and July of 2023. In total, over 13,000ft of sonic sediment core were drilled. The two exploration seasons at Icy Cape were a big success for TLO. The strategic planning, project logistics planning and selection of key contractors and consultants resulted in a successful execution of the exploration work program at the Grinder Prospect.

The 2022/23 Grinder drill hole plan was designed based on interpretation of newly acquired innovative 3-dimensional aeromagnetic gradient exploration survey data to maximize the effectiveness of resource development drill hole locations. Drilling was carried out by Boart Longyear, the industry leader in sonic drilling.

During both field seasons TLO had about 24 people in camp, including geologists, drillers, sample processing technicians, camp maintenance personnel, mechanics, and cooks.

TLO is working with independent expert consultants on the Grinder Deposit Technical Report, including a maiden mineral resource estimate (MRE). Independent verification of the comprehensive exploration data set and exploration procedures enhances the accuracy and integrity of the Project. The Technical Report will contain all the comprehensive details related to geology, exploration activities and resource estimates. This Technical Report will form the basis for a decision-making tool, it will be used for marketing, will drive investment decisions, and will give strategies for the development of the Project. The report and MRE are expected to be completed by the end of April 2025. A conceptual study or Preliminary Economic Assessment is planned for later this year. With the independent technical report, the MRE and a conceptual study or PEA, the TLO will significantly de-risk the Project and make it more attractive for a potential mine developer. This is called *Risk Reduction on a Technical Basis* in the mining industry.

The Icy Cape Gold and Industrial Heavy Minerals Project is a unique and extraordinarily large-volume placer gold and industrial minerals sands exploration project that is designed, managed, and executed by the Trust Land Office (TLO) on behalf of the Alaska Mental Health Trust Authority.

Exploration data and results are confidential and cannot be disclosed. The results obtained thus far are very encouraging. This is an exciting project for the Trust. This exploration project will accelerate resource development in the Icy Cape District leading not only to a long-term optimal revenue stream for the Trust, but also for the State of Alaska.

REFERENCES:

Emond, A.M., Graham, G.R.C., **Eden, Karsten**, and Precision GeoServices Inc., **2021**, Icy Cape airborne magnetic geophysical survey, southeast Alaska: Alaska Division of Geological & Geophysical Surveys Geophysical Report 2021-1, 10 p. <https://doi.org/10.14509/29742>