

S B

536

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/28/90

Resources
FURTHER: Finance

Date of 5-Day Notice: 3/29/90
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: 4/26/90

Labor and Commerce

Committee considered

SB 536

Special appropriation to the Dept. of Natural Resources for the purchase of the inholdings of the Seldovia Native Association, and the timber rights of the Timber Trading Company, within the Kachemak Bay State Park; ef

and recommended:

- replace with _____ cs SB 536 (L+C) same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

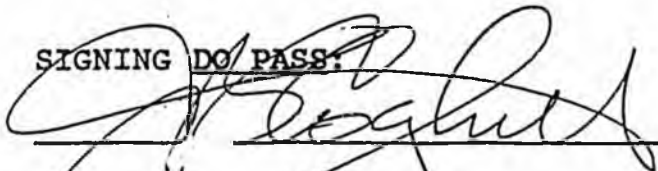
fiscal note(s) _____

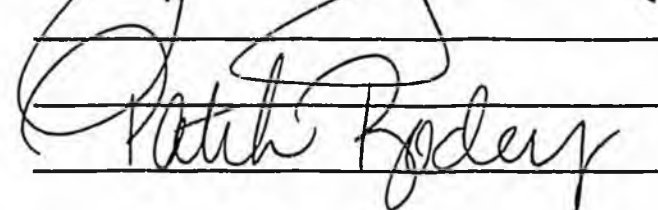
zero fiscal note(s) _____

appropriation-no fiscal note

Governor's bill w/fiscal note

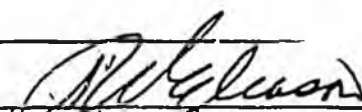
SIGNING DO PASS:





OTHER RECOMMENDATIONS:

No Rec
Jan file concerned about
expense but better
good - Better to the
NORTH.
Wanted No Rec,
should be done at critical
Time, probably within 20 yrs.


Chair: Signature and Recommendation

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that enables the state to acquire 37 square miles of inholdings within Kachemak Bay State Park. The bill appropriates \$17,820,000 to the Department of Natural Resources (DNR) to purchase all of Seldovia Native Association's land and Timber Trading Company's timber on this land in the park.

For 15 years the state has been working on various land exchange proposals to acquire Seldovia Native Association's (SNA) 24,000 acres of inholdings that are within Kachemak Bay State Park. The land was state-owned when the park was established in 1970, but then it was subsequently acquired by SNA under the Alaska Native Claims Settlement Act of 1971. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

This 24,000-acre parcel lies south and east of China Poot Bay, extending south to Sadie Cove. This land is in the center of Kachemak Bay State Park. China Poot Bay has high fish and wildlife habitat values. The land owned by SNA has high recreation and scenic values and lies directly across Kachemak Bay from Homer.

Commercial recreation development and timber harvest have been proposed on this land. Acquisition of SNA's land is crucial to protect the public recreation, wildlife, and scenic values of the park. Since October 1988, LNR, SNA and TTC have been actively involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Consistent with Alaska Statutes 38.50, we had intended to submit a final exchange agreement to the Legislature for approval this session. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land.

An appraiser hired by SNA arrived at two different values of SNA's land in the park -- \$22.7 million and \$25.6 million. We disagreed with both appraisals because the appraiser used only parkland as comparable properties to set the value of SNA land. The appraiser made few adjustments to comparables to address differences in size, location, and date of sale. DNR contracted for an independent appraisal that valued the land at \$12 million, which SNA disagreed with.

In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded the value of SNA's land, with the timber still in place, is \$17,820,000. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.62 to \$15.49 million.

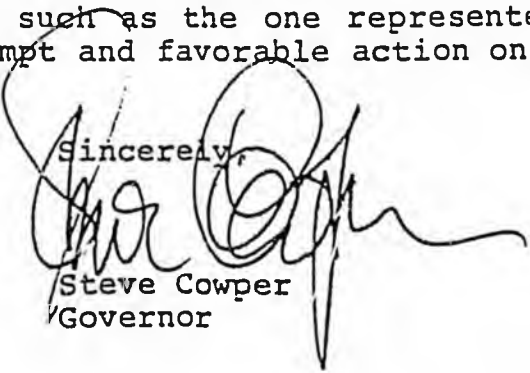
On February 28, after an exchange of offers, DNR offered SNA \$15.49 million, the highest value the panel arrived at assuming the timber was harvested on a portion of the land. SNA rejected this value unless the state was willing to pay the full value in cash. SNA would agree to a land exchange only if the state agreed to pay a higher value for SNA's land. DNR refused to consider an exchange that valued SNA's land higher than \$15.49 million because appraisals have not substantiated a higher value.

We agree that \$17.82 million is an acceptable value for SNA's land. This is at the high end of the appraised values, but this is a difficult parcel to appraise. This value should be the same whether SNA's land is acquired by exchange or through a cash purchase.

I support a cash purchase recognizing that past land trade efforts failed, in part, due to differing opinions of the value of SNA's land. SNA will not negotiate an exchange that is based on fair market value, but is willing to sell its land for cash at fair market value.

I request that the legislature appropriate the funds to purchase SNA's land and TTC's timber. The amount of time, effort, and money spent by the state, SNA, and the people of Alaska over fifteen years demonstrates that there is public support for making Kachemak Bay State Park whole. The length of time further demonstrates how difficult it has been to reach an agreement such as the one represented by this bill. I urge your prompt and favorable action on this measure.

Sincerely,



Steve Cowper
Governor

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND AND WATER MANAGEMENT

3601 C STREET
PO BOX 107005
ANCHORAGE, ALASKA 99510-7005
PHONE: (907) 561-2020

June 6, 1990

The Honorable Dick Eliason
Chairman, Senate Labor and Commerce Committee
P.O. Box 143
Sitka, Alaska 99835

Dear Senator Eliason:

This letter is in response to certain statements made in Carl Marrs' letter to you that is dated April 24, 1990 regarding the value of Cook Inlet Region, Inc.'s (CIRI) subsurface estate within Kachemak Bay State Park.

Two specific points were raised in Mr. Marrs' letter that require a response. First, CIRI's letter state's that DNR was selective in providing information to you. We were selective because we were trying to summarize information from a variety of reports. There is, however, no appraisal of either the subsurface resources or sand and gravel owned by CIRI within the state park. The \$10 million figure that Mr. Marrs refers to was only an estimate of sand and gravel resources in place with no analysis of transportation costs or market, it is not an appraisal. Furthermore, CIRI is in the process of conveying to the State of Alaska about one third of the area shown in the map that is attached to the 1981 memo.

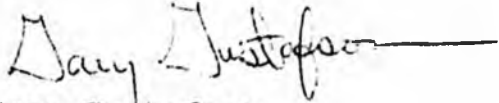
Contrary to the conclusion in the one page 1981 memo, two comprehensive appraisals prepared for DNR that specifically looked at markets concluded that similar gravel resources on the south side of Kachemak Bay have no market value. I referred to these two appraisals in my April 13 letter to you.

The second point in Mr. Marrs letter is that DNR brought CIRI into the purchase at the last minute. However, DNR was not concerned about including CIRI's subsurface in the purchase. Rather, CIRI was brought into the trade at the request of various senators. We felt that acquisition of CIRI's subsurface could occur subsequent to the purchase of the land and timber. The state already owns the most developable subsurface under Seldovia Native Association's (SNA) land in the park. We envisioned acquiring CIRI's subsurface under much of the remainder of SNA's land through a subsequent land exchange with CIRI. Because there are no known developable resources, there is less urgency to acquiring CIRI's subsurface

than in acquiring SNA's surface and the timber.

I hope this clarifies our position regarding CIRI's subsurface estate. It is unfortunate that the Kachemak Bay State Park purchase legislation did not pass. I hope the legislature will reconsider acquisition of this land next session.

Cordially,

A handwritten signature in cursive script that reads "Gary Gustafson". The signature is written in dark ink and is positioned above the typed name.

Gary Gustafson
Director

CC: Carl H. Marrs, Cook Inlet Region, Inc.
Senator Paul Fischer
Representative Mike Navarre
Representative C.E. Swackhammer
Fred Elvsaaas, President, Seldovia Native Association
John Sturgeon, President, Koncor Forest Products
Lennie Gorsuch, Commissioner, DNR

April 24, 1990

The Honorable Dick Eliason
Chairman, Senate Labor and Commerce Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason:

I just recently received from Fred Elvsaas a copy of a letter sent to you from Gary Gustafson, the Director of the Division of Land and Water in the Department of Natural Resources (DNR), concerning the Kachemak Bay State Park and more specifically concerning the value of Cook Inlet Region, Inc.'s (CIRI) subsurface within the Park.

Although CIRI has recently been made aware of the specifics of the Seldovia sale, we have not been directly involved in any negotiations concerning the sale until two weeks ago when Mr. Fred Elvsaas of Seldovia requested our participation and cooperation. On Wednesday, April 18, 1990, I met with DNR in Juneau to present what CIRI believed was a fair offer. At the time of the meeting, DNR informed me that it was providing your office with an estimate of what DNR felt the subsurface was worth. I was told the estimate was between \$180,000 and \$1,600,000. I told DNR that CIRI felt it was worth considerably more than the higher figure.

Since that meeting, the above described letter to you stated that DNR "has not previously addressed CIRI's subsurface," though DNR also contradicts this statement by citing a Division of Geological and Geophysical Surveys (DGGs) 1979 report that concluded the potential of sand and gravel deposit was of "relatively modest size." However, DNR appears to have overlooked the conclusion of a later, more complete DGGs 1981 report (enclosed) that stated that the in-pit value of a portion of CIRI's subsurface gravel resource was approximately \$10,000,000.

I have two very basic concerns:

1. The DNR has been very selective in its choice of information available in providing its estimate of CIRI subsurface value to you. The statement that "it is reasonable to conclude that this gravel has zero harvest value" is simply not true.
2. More importantly, it appears that CIRI is being unfairly painted as the culprit that is being so unreasonable as to kill the sale. You should know that it was at the request of Seldovia Native Association and DNR that CIRI agreed to attempt to accommodate the

State by way of sale of our subsurface resources under those surface lands the State is purchasing from Seldovia in order that the State may receive fee title to Kachemak Bay State Park. However, we feel at a disadvantage by being brought in at the last minute by DNR, without being apprised of DNR correspondence and positions.

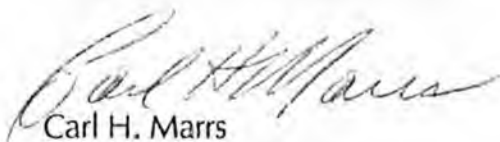
We have been and will continue to work with the State and Seldovia, but we also have a duty to our shareholders and those shareholders of all the other 11 Regional Corporations as any sale of subsurface assets is shareable with all Alaska Natives. We cannot and will not "give away" our subsurface rights for these reasons.

In the interest of bringing certainty and closure to all the parties, CIRI offers all of its subsurface interests in the subject lands at a cash price of \$2,500,000, subject to the caveat that the State of Alaska, Department of Natural Resources and the administration must positively support legislative approval of such a sale. We do not believe this to be an unreasonable price since there is information available that establishes a much greater value and given the apparent need to consummate the transaction quickly.

I look forward to your response.

Sincerely,

COOK INLET REGION, INC.



Carl H. Marrs
Senior Vice President

CHM/pkd/3/91

Enclosure

cc: Lennie Gorsuch, Commissioner, DNR
Gary Gustafson, Director, Land and Water, DNR
Senator Paul Fisher
Representative Mike Navarre
Representative C. E. Swackhammer
Fred Elvsaaas, President, Seldovia Native Association
John Sturgeon, President, Koncor Forest Products

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF GEOLOGICAL & GEOPHYSICAL
SURVEYS
July 31, 1981

Reed Stoops
Div. Research & Development

Thru: Ross G. Schaff
State Geologist

(907) 274-9681

Randall Updike
Geological Engineer

Evaluation of Sand and Gravel
Resources - Kachemak Bay State
Park

On Monday, 27 July, I received a copy of a memorandum that you sent to Ross requesting that DCGS play a role in evaluating sand and gravel resources for that part of Kachemak Bay State Park that Cook Inlet Region, Inc., presently owns. This is apparently part of an intended land exchange program between the State and CIRI.

Yesterday, 28 July, I contacted Marge Sagerser of CIRI who filled me in on the interests involved in the exchange. This morning I met with Kirt McGee of CIRI and discussed at some length the potential aggregate resources of the area. We agreed that there was one prime source, that being a large glacial floodplain draining west-northwest from Doroshin Glacier to McKeon Flats. The area of the floodplain of concern includes parts of sections 33 and 34, T.7S., R.12W., and parts of sections 1, 2, 3, 4, 11, and 12, T.8S., R.12W. The floodplain is approximately 0.5 miles wide and 4.0 miles long within this area. Resource potential concurs with mapping by J.R. Riehle, 1977, DCGS AOF-110.

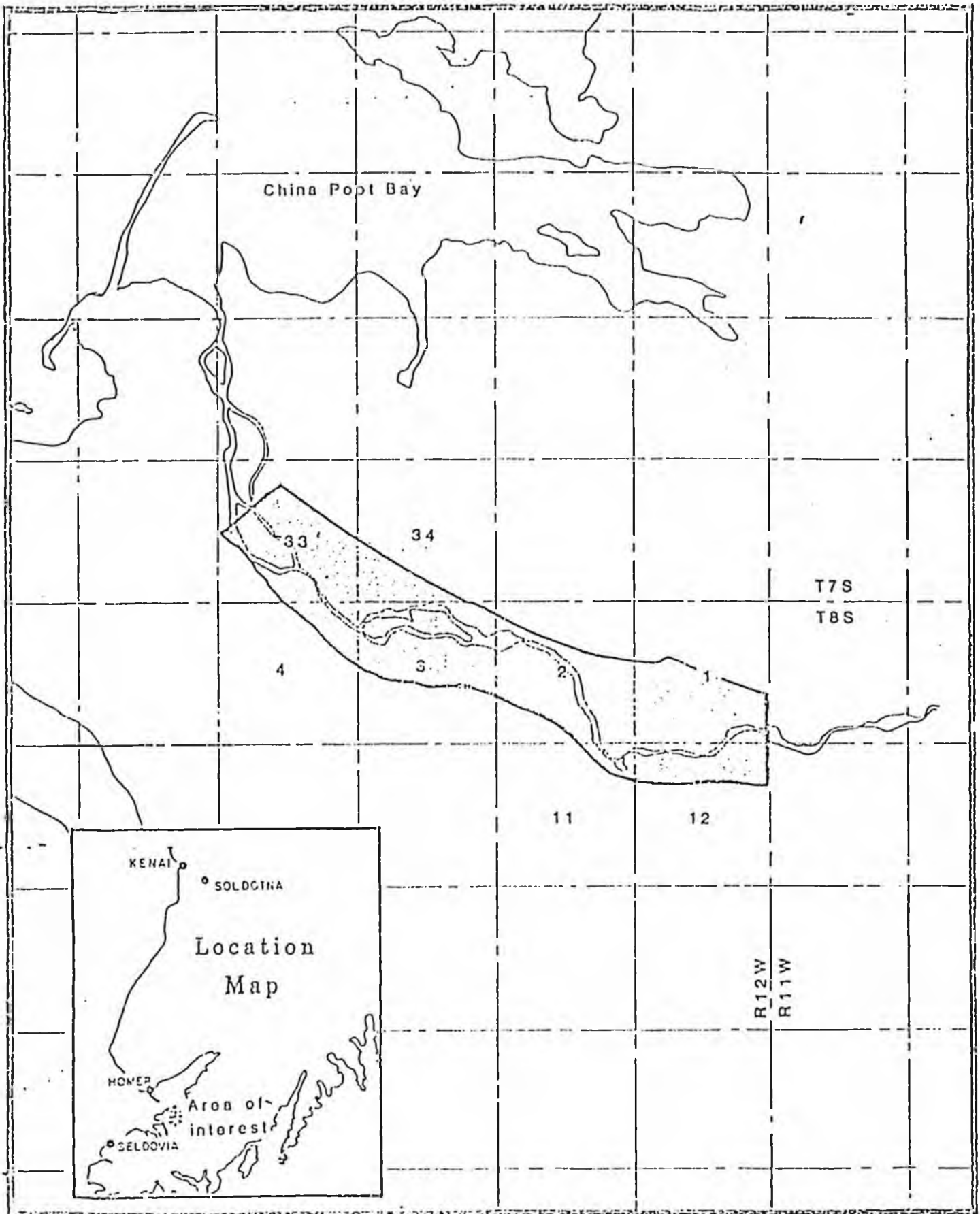
I feel it is quite feasible that along this four mile stretch (7000 yard distance) that an average of 300 yards width can be worked without affecting the river hydraulic geometry. This gives an estimated 2,100,000 square yards of area. If one assumes an mean depth of excavation of 5 yards, a conservative estimate of in-place sand and gravel which could be removed is about 10.5 million cubic yards. If we assume 10% loss for slope maintenance, floodplain protection berms, and low yield horizons, approximately 9.45 million cubic yards should be available. This would be a very conservative estimate of volumes that could reasonably be extracted and maintain good environmental protection. If one values the aggregate, in the pit, at \$1.00 per yard we are looking at about \$10 million worth of resource. Delivered cost could be as much as \$50.00 per yard. Further, there is excellent access to the area down the floodplain and, from there, reasonably good barge-loading sites. High demand will continue to exist directly across the inlet at Homer and its surrounding region, resulting in modest transportation costs. Use would obviously extend over several years.

I hope this will be of some assistance to you and if I can be of any further assistance please feel free to contact me.

RGU/plc

cc:

Dick Reger, DCGS



CIRI Aggregate Resource Area, Kachemak Bay State Park

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND AND WATER MANAGEMENT

3601 C STREET
PO BOX 107005
ANCHORAGE, ALASKA 99510-7005
PHONE: (907) 561-2020

April 13, 1990

The Honorable Dick Eliason
Chairman, Senate Labor and Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Senator Eliason:

You recently inquired as to the value of the 19,268 acres of subsurface estate owned by Cook Inlet Region, Inc. (CIRI) within Kachemak Bay State Park. In response, we have completed a cursory analysis of CIRI's subsurface estate and offer a range of values for use as possible parameters for acquisition purposes. Please be advised that the lack of definitive geologic or appraisal data for this area necessitates that our figures be regarded as approximate only.

Although the department has spent a great deal of time and energy to determine the value of the surface estate owned by Seldovia Native Association (SNA), we have not previously addressed CIRI's subsurface. There are several reasons for this. First, under provisions of a 1979 Memorandum of Understanding with CIRI, SNA and the Kenai Peninsula Borough, we have already, or soon will, acquire the subsurface estate to 8,334 acres that surrounds China Poot Bay. This subsurface is adjacent to tidewater and contains the most developable sand and gravel resources. Second, we envisioned acquiring CIRI's subsurface under much of the remainder of SNA's land through a subsequent land exchange with CIRI. Under terms of the 1979 MOU, CIRI was to accept the subsurface estate under the land we conveyed to SNA. If the state could not acquire CIRI's full subsurface entitlement in this manner, we would complete a land exchange with CIRI for the subsurface estate of other state land. Third, because there are no known developable resources on the CIRI subsurface, there is less urgency to acquiring CIRI's subsurface than in acquiring SNA's surface and the timber.

Because we had not envisioned trading with CIRI at this time, we do not have an appraisal of the subsurface estate. However, various sources confirm that the land does not have any known commercially developable subsurface resources.

Two reports specifically looked at subsurface values of this area. In 1987, DNR's Division of Geological and Geophysical Surveys (DGGs) evaluated this land and adjacent Mental Health trust lands in its report Mineral Potential - Mental Health Trust and Replacement Pool Lands. The DGGs found that there is no known data indicating mineral potential on this land, based on what they called fair geologic and mineral data. The state's evaluation of this land and adjacent Mental Health trust land concluded the mineral resources had no (\$0) value. DGGs has also evaluated CIRI's subsurface during previous land trade discussions. A 1978 DGGs report that looked at a larger area than CIRI's subsurface, concluded that metallic occurrences are few and have not warranted much expenditure for mineral exploration. The report was unable to place a monetary value on any mineral resources on this tract.

April 13, 1990

A 1979 DGGs report concluded that potential sand and gravel deposits of "relatively modest size" occur locally throughout the exchange area, and that a very large potential deposit occurs along the Doroshin River south of China Poot Bay. Subsequent appraisals of gravel resources on the south side of the bay have concluded that they are not economical to extract for shipment across the bay. In 1983, an appraisal of a tract along a road near Jackolof Bay, a few miles southwest of CIRI's land, concluded that it was not feasible to ship gravel across the bay to Homer and therefore, these gravel resources had "no contributory value" to the appraised value of the parcel. A 1989 appraisal of land near Bradley Lake, also on the south side of Kachemak Bay, that includes an active gravel pit (developed for construction of the Bradley Lake hydro project) also concluded that there was little potential for a commercial gravel development, considering the transportation required. Considering that the Doroshin River gravel is at least three miles from tidewater and there is no developed access or docking facilities, it is reasonable to conclude that this gravel also has zero market value.

The subsurface owned by CIRI does not coincide entirely with SNA's surface ownership (see map). Previous trades between CIRI and the state gave the state ownership of 3,921 acres, and another 4,413 acres is to be conveyed to the state as part of the current CIRI settlement agreement. This 8,334 acres of subsurface surrounds China Poot Bay and would contain the most accessible mineral or material resources. The state has not yet acquired CIRI's subsurface under land previously acquired from SNA in the vicinity of Tutka Bay and Sadie Cove. CIRI's current subsurface ownership in the park totals about 19,268 acres. However, we feel CIRI is obligated to take the subsurface under the 2,648 acres of surface estate previously conveyed to SNA in prior trades. Therefore, the state needs to acquire about 16,620 acres.

Despite the lack of any known economic values of CIRI's subsurface, we conclude that a case could be made to assign a speculative value to CIRI and a nuisance value to the state (assuming we own the surface). A reasonable value for this subsurface could be between \$10 and \$100 per acre, which would lead to a total purchase value of between \$ 166,200 and \$ 1,662,000. If you need additional information regarding the specifics of this estimate, please contact Dick Mylius of my staff at 762-2660.

Cordially,






Gary Gustafson
Director

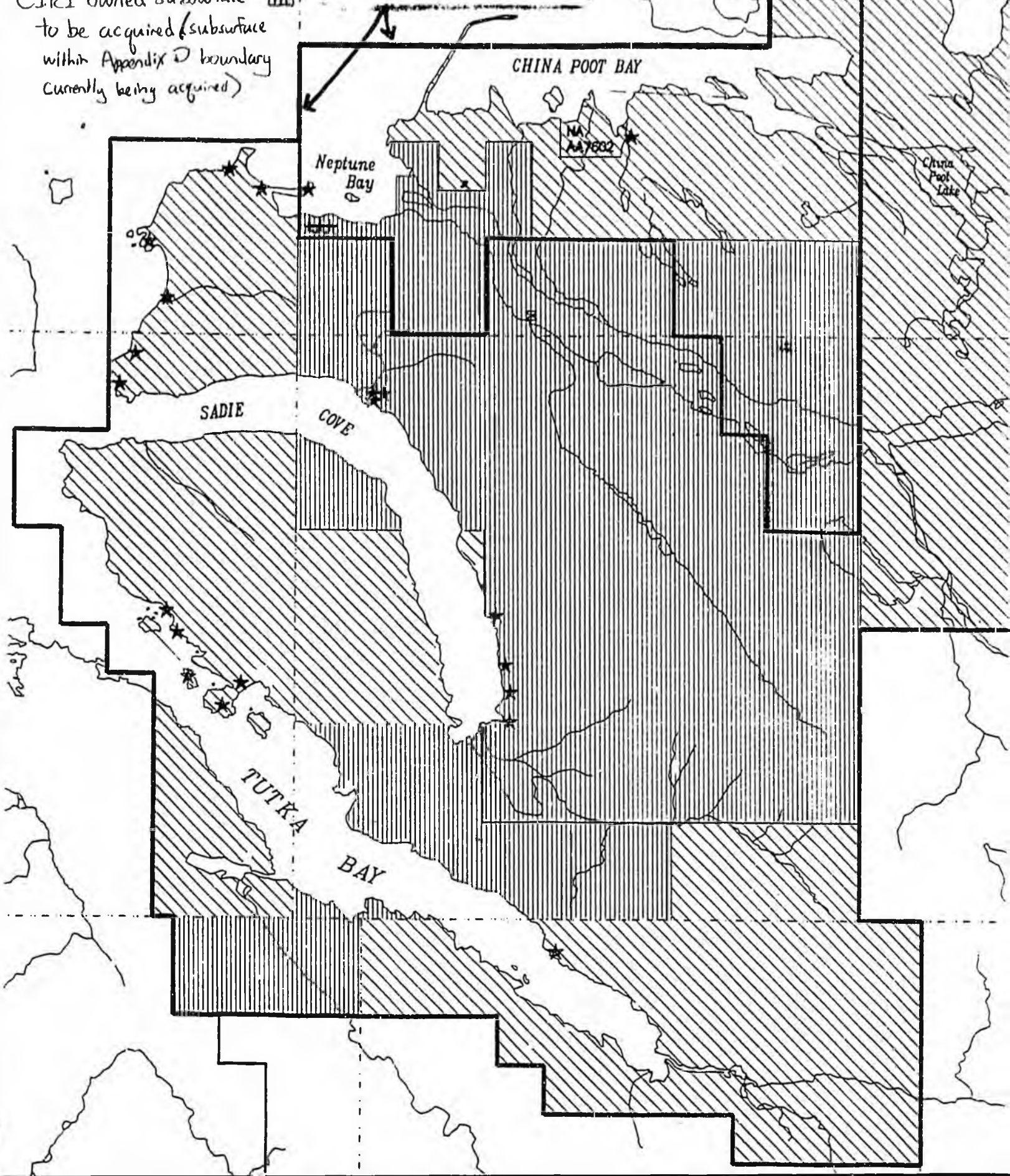
Attachment: Map depicting CIRI subsurface

CC: Senator Paul Fischer
Representative Mike Navarre
Representative C.E. Swackhammer
Fred Elvsaa, President, Seldovia Native Association
John Sturgeon, President, Koncor Forest Products
Lennie Gorsuch, Commissioner, DNR

Key.

- State-owned subsurface 
- CIRI owned subsurface 
- CIRI owned subsurface to be acquired (subsurface within Appendix D boundary currently being acquired) 

**APPENDIX D
BOUNDARY**
MAY 7, 1979 MOU



STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND AND WATER MANAGEMENT

3601 C STREET
PO BOX 107005
ANCHORAGE ALASKA 99510-7005
PHONE (907) 561-2020

April 4, 1990

Dear Alaskan:

On March 28, Governor Cowper introduced legislation to appropriate \$ 17.82 million to acquire 24,000 acres of inholdings within Kachemak Bay State Park. The bills (House Bill 590 and Senate Bill 536) would authorize the Department of Natural Resources to purchase all of Seldovia Native Association's land and Timber Trading Company's timber on this land in the park.

For fifteen years the state has been working on various land exchange proposals to acquire Seldovia Native Association's (SNA) 24,000 acres of inholdings within Kachemak Bay State Park. The land was state owned when the park was established in 1970, but then it was acquired by SNA under the Alaska Native Claims Settlement Act of 1971. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

The SNA inholdings lie south and east of China Poot Bay, extending south to Sadie Cove. This land is in the center of Kachemak Bay State Park. China Poot Bay has high fish and wildlife habitat values. The land owned by SNA has high recreation and scenic values, and lies directly across Kachemak Bay from Homer.

Commercial recreation development and timber harvest have been proposed on this land. Acquisition of SNA's land is crucial to protect the public recreation, wildlife and scenic values of the park. Since October 1988, DNR, SNA, and TTC have been actively involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Consistent with Alaska Statutes 38.50, we had intended to submit a final exchange agreement to the legislature for approval this session. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land.

An appraiser hired by SNA arrived at two different values of SNA's land in the park - \$ 22.7 million and \$25.6 million. DNR disagreed with both appraisals because the appraiser used only parklands as comparable properties to set the value of SNA land and made few adjustments to the comparables used in the appraisals. DNR

contracted for an independent appraisal that valued the land at \$12 million, which SNA disagreed with.

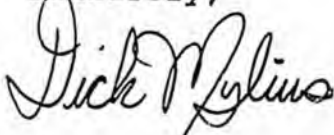
In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded that the value of SNA's land, with the timber still in place, is \$17.82 million. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.6 to \$15.49 million. A separate re-appraisal of the timber, agreed to by DNR and TTC, valued the timber at \$ 6.4 million.

On February 28, after an exchange of offers, DNR offered SNA \$15.49 million, the highest value the panel arrived at assuming the timber was harvested on a portion of the land. SNA rejected this value unless the state was willing to pay the full value in cash. SNA would agree to a land exchange only if the state agreed to pay a higher value for SNA's land.

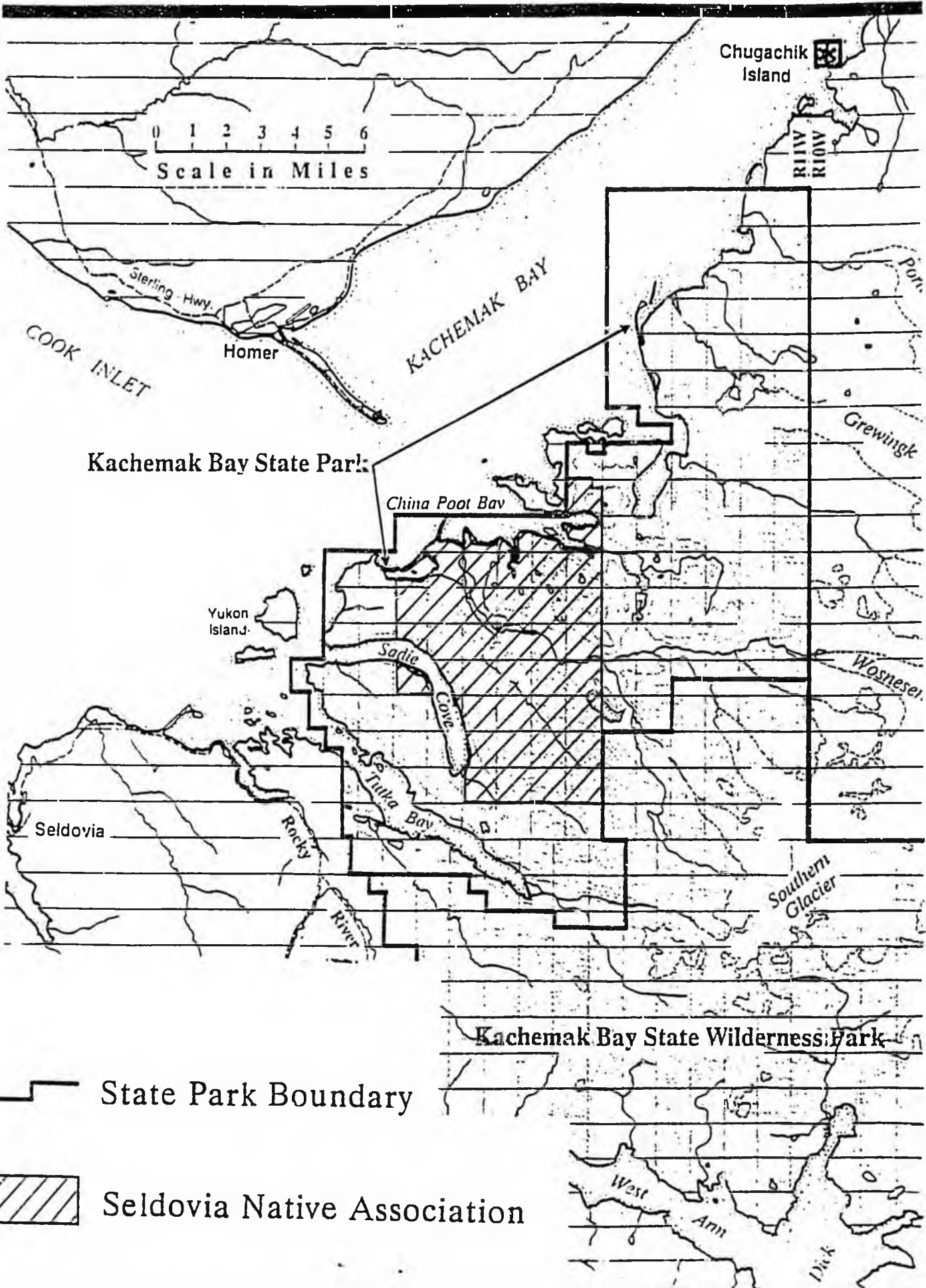
We had intended to acquire timber rights separately through an equal value exchange of timber cutting rights. DNR identified and appraised two tracts of timber for trade to TTC. These were located near Petersburg and Thorne Bay. There is significant public opposition to timber harvest on the parcel near Petersburg. There is also public opposition to trading the Thorne Bay tract to prevent logging in Kachemak Bay State Park. TTC is only marginally interested in timber on the Thorne Bay tract because of its high red cedar content. A cash purchase that includes the timber rights along with the land is the most feasible solution to the protect the park.

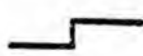
The Department of Natural Resources believes that \$17.82 million is an acceptable value for SNA's land. If you would like more information on this legislation, please call me at 762-2660.


Sincerely,



Dick Mylius
Natural Resource Manager



 State Park Boundary

 Seldovia Native Association

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND & WATER MANAGEMENT
LAND & RESOURCES
P.O. BOX 107005
ANCHORAGE, ALASKA 99510-7005

OFFICIAL BUSINESS
STATE OF ALASKA
STATE PENALTY FOR
PRIVATE USE



Senator Richard I. Eliason
The State Senate
P.O. Box V
Juneau, AK 99811



SENATOR FRED F. ZHAROFF

ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99815 (907) 488-5259

DURING SESSION:

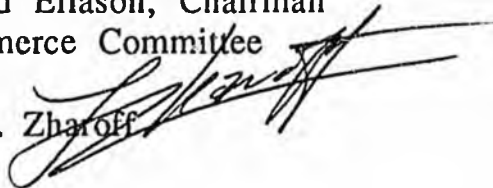
P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 485-3473 • 485-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHULIAGIN ISLANDS

MEMORANDUM

TO: Senator Richard Eliason, Chairman
Labor & Commerce Committee

FROM: Senator Fred F. Zharoff 

DATE: April 6, 1990

SUBJ: SB 536, Approp. for Kachemak Bay Park Inholdings

SB 536, which would make an appropriation to DNR for the purchase of inholdings of the Seldovia Native Association and the timber rights of the Timber Trading Company within the Kachemak Bay State Park, was introduced on March 28 under the sponsorship of the governor and referred initially to the Labor & Commerce Committee.

The appropriation amount in the bill is \$17.82 million. My understanding of this figure is that \$15.5 million of this amount is to purchase the land from Seldovia Native Association and the remainder, approximately 2.3 million is to purchase the timber rights from the Timber Trading Company. I agree with the principle of this bill, but disagree with the amount allocated to purchase the timber rights. From discussions I have had and the information presented to me, it appears that a more appropriate amount for the timber rights would be approximately \$4.5 million. If this amount were included in the bill, it would take the total figure from \$17.82 million to \$20 million.

I would appreciate your expeditious scheduling of this bill. This bill is the culmination of several years of negotiations and is the final step in removing the threat of logging in Kachemak Bay State Park. The bill still has two other committees to move through in the Senate

as well as action in the House if it is to pass in the final month of this legislature. I realize that the L&C Committee may want to look at the figure closely, but in the interests of time it may be appropriate to move the bill with a letter of intent expressing the committee's concern that the other committees of referral (Resources & Finance) may want to make an adjustment to the appropriation amount.

I would be happy to discuss this bill with you at your convenience. Thank you for your consideration of this request.

go0550sE ✓
Cramer
4/4/90

Funding Information: General Fund \$20,000,000
Other Funds -0-
\$20,000,000

Sen. Eliason

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 536 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations to the Depart-
7 ment of Natural Resources for the purchase of the
8 inholdings of the Seldovia Native Association, and
9 the timber rights of the Timber Trading Company,
10 within the Kachemak Bay State Park; and providing for
11 an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. LEGISLATIVE FINDINGS. (a) The legislature finds that the
14 Kachemak Bay State Park is an important scenic and recreational area and
15 that the inholdings within the park, if developed, would seriously compro-
16 mise the integrity of the existing park land. The legislature finds,
17 therefore, that it is in the interest of the state to acquire the inhold-
18 ings of the Seldovia Native Association, and the timber rights of the
19 Timber Trading Company, within the Kachemak Bay State Park.

20 (b) The legislature further finds that the value, to the state, of
21 the Seldovia Native Association's inholdings, and the timber rights of the
22 Timber Trading Company, within Kachemak Bay State Park is \$20,000,000.

23 * Sec. 2. The sum of \$15,490,000 is appropriated from the general fund
24 to the Department of Natural Resources for the purchase of the inholdings
25 of the Seldovia Native Association within the Kachemak Bay State Park, and
26 the sum of \$4,510,000 is appropriated from the general fund to the
27 Department of Natural Resources for the purchase of the timber rights of
28 the Timber Trading Company within the Kachemak Bay State Park, for the in-
29 holdings and timber rights as identified in the Preliminary Exchange

1 Agreement dated June 30, 1989, as amended as of the effective date of this
2 Act, between the state, the Seldovia Native Association, and the Timber
3 Trading Company.

4 * Sec. 3. The unexpended and unobligated balances of the appropriations
5 made by this Act lapse into the general fund December 31, 1990.

6 * Sec. 4. This Act takes effect July 1, 1990.
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go0550sH
Cramer
4/25/90

<u>Funding Information:</u>	General Fund	\$20,000,000
	Other Funds	-0-
		<u>\$20,000,000</u>

Original sponsor(s): Rules/Governor

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 536 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations to the Depart-
7 ment of Natural Resources for the purchase of the
8 inholdings of the Seldovia Native Association, and
9 the timber rights of the Timber Trading Company,
10 within the Kachemak Bay State Park; and providing for
11 an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that the
14 Kachemak Bay State Park is an important scenic and recreational area and
15 that the inholdings within the park, if developed, would seriously compro-
16 mise the integrity of the existing park land. The legislature finds,
17 therefore, that it is in the interest of the state to acquire the inhold-
18 ings of the Seldovia Native Association, and the timber rights of the
19 Timber Trading Company, within the Kachemak Bay State Park.

20 * Sec. 2. The sum of \$15,490,000 is appropriated from the general fund
21 to the Department of Natural Resources for the purchase of the inholdings
22 of the Seldovia Native Association within the Kachemak Bay State Park, and
23 the sum of \$4,510,000 is appropriated from the general fund to the
24 Department of Natural Resources for the purchase of the timber rights of
25 the Timber Trading Company within the Kachemak Bay State Park, for the in-
26 holdings and timber rights as identified in the Preliminary Exchange
27 Agreement dated June 30, 1989, as amended as of the effective date of this
28 Act, between the state, the Seldovia Native Association, and the Timber
29 Trading Company.

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* Sec. 3. The unexpended and unobligated balances of the appropriations made by this Act lapse into the general fund December 31, 1990.

* Sec. 4. This Act takes effect July 1, 1990.



Alaska State Legislature

Attention: Senator Eliason

Please enter into the record my testimony to the Senate Labor & Commerce
committee name

committee on Senate Bill 536, dated April 2, 1990
bill/subject

I am unable to attend the teleconference meeting however want to testify in favor of the State of ALASKA purchasing the timber in the Fredrick Point Area with CASH, instead of trading the timber there for lands in the Katchemak State Park.

I feel I speak for a majority of citizens of this area and urge you to support passage of a policy consistent with the above.

Most Sincerely

Signed:

Rebecca J Knight

Testifier

Representing (Optional)

P.O. Box 1331 Petersburg, AK. 99833

Address

772-9391

Phone No.

April 2, 1990

New Bowen - Petersburg Alaska

As an individual who has extensively
sailed the Pt. Frederick area each weekend
through fall and summer for 15 years I
support the Governor's proposed "buy out" for
Kachemak Bay. The Governor's proposal
will solve the problem that has gone on
for years. Trading Pt. Frederick will only
cause division among Alaskans.

Noel P. Pomeroy

907-772-4574

Box 68

Petersburg Alaska
99833

4/2/90

Paul Bowen - Petersburg

Reference: Ft. Frederick Timber Sale

"As a resident of Petersburg since 1962,

user of that area for recreation and

Le Conte Glacier research, I support

the governor's "Buy-out Program", and, on

the transfer of that sale back to

the state park.

Thank you,

Paul Bowen
Box 68

Petersburg, AL 37135

ph. 202-772-4574

Charles E. Nash
General Manager
Timber Trading Company
3501 Denali, Suite 202
Anchorage, Alaska 99503

March 21, 1990

Mr. Joseph F. Wehrman III
Chief Resource Management
State of Alaska
Department of Natural Resources
Division of Forestry
3601 C Street, Suite 1008
Anchorage, Alaska 99503

Re: Kachemak Bay Timber Appraisal

Dear Messrs. Nash and Wehrman:

At your request we have estimated the fair market value of the Kachemak Bay timber tract owned by Timber Trading Company. The date of valuation is March 12, 1990. The subject timber consists of Sitka spruce and cottonwood on lands near Homer on the Kenai Peninsula. The timber is appraised as an unencumbered fee simple interest. The total estimated fair market value is:

Six Million Four Hundred Thousand Dollars
(\$6,400,000)

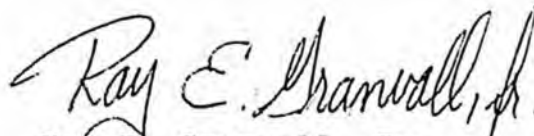
In developing our opinion, we have made a personal inspection of the subject property. We have reviewed the operating costs, log and timber sale information, and timber marketing conditions as they pertain to the subject property market area.

We thank you for this opportunity to serve you.

Sincerely,



Alton G. Cronk
Cronk and Holmes Consulting Foresters



Ray E. Granvall, Jr.
Cascade Appraisal Services, Inc.

CRONK & HOLMES

Consulting Foresters

1215 N. ADAMS STREET

P.O. BOX 978

McMINNVILLE, OREGON 97128

ALTON G. CRONK
RICHARD W. HOLMES

TELEPHONE (503) 434-7240
FAX (503) 434-7272

April 2, 1990

Mr. Charles E. Nash
General Manager
Timber Trading Company
3501 Denali, Suite 202
Anchorage, AK 99503

Re: Kachemak Bay Timber Appraisal

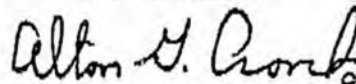
Dear Mr. Nash:

It is the opinion of the appraisers, Alton G. Cronk of Cronk & Holmes Consulting Foresters, and Ray E. Granvall, Jr. of Cascade Appraisal Services, Inc. that the fair market value of the Kachemak Bay timber is \$6,400,000 on March 12, 1990.

It is our opinion that this is the price that a willing buyer would pay for this timber if it was placed in the market place as an unencumbered fee simple interest.

Sincerely,

CRONK & HOLMES



Alton G. Cronk

AGC:jil

CRONK & HOLMES
Consulting Foresters

Alton G. Cronk
Richard W. Holmes

6936 N.E. Halsey Street
Portland, Oregon 97213
Telephone (503) 256-3840

August 22, 1989

Mr. Charlie Nash
Timber Trading Company
3501 Denali, Suite 202
Anchorage, Alaska 99503

Dear Mr. Nash:

You have requested my opinion of the fair market value of timber owned by Timber Trading Company in the Kachemak Bay area as of June 30, 1989.

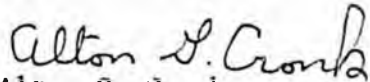
The fair market value is described as the price that would be paid for the subject timber that is exposed to the market for a reasonable length of time, and that price which would be agreed upon by a seller and buyer, both of whom are equally informed and have reasonable knowledge of the facts concerning the subject timber and both of whom are willing, but under no compulsion, to buy or sell.

You have furnished me with certain records concerning the subject timber including indications of quality and type as well as logging conditions. In arriving at the opinion of fair market value, I have personally inspected the area. My general knowledge of the area, timber types, terrain, local conditions and markets was also of value in arriving at this opinion of value.

After taking into account all of the timber valuation factors herein mentioned, as well as other factors not specifically mentioned, it is my opinion that the fair market value of the Timber Trading Company timber in the Kachemak Bay area at June 30, 1989 is:

<u>Species</u>	<u>Volume MBF</u>	<u>\$/MBF</u>	<u>Total Value</u>
Spruce	44,987	\$165	\$7,422,855

Sincerely;
CRONK & HOLMES


Alton G. Cronk



Forest Consultants • Industrial Appraisers

March 21, 1990

Mr. Charles Nash
Timber Trading Company
3501 Denali, Suite 202
Anchorage, Alaska 99503

Re: Kachemak Bay Timber Appraisal

Dear Mr. Nash:

At your request we have appraised the subject timber in the Kachemak Bay Tract owned by Timber Trading Company as to its fair market value. The date of valuation is March 12, 1990. The subject timber consists of sitka spruce and cottonwood on lands near Homer on the Kenai Peninsula. The timber is appraised as an unencumbered fee simple interest. The total estimated fair market value is

FIVE MILLION EIGHT HUNDRED SEVENTY-FIVE
THOUSAND DOLLARS
(\$5,875,000)

This appraisal utilized information and data provided by you and the State of Alaska in regards to timber volume within the tract. Log sales data, logging cost, and road construction cost data are based on information from Alaska timber industry sources. Information was also utilized which was provided by persons and/or firms listed in the Addenda. The information provided is believed to be reliable, but no responsibility is assumed for its accuracy.

In developing our opinion, we have made a personal inspection of the subject property. We have reviewed the operating costs, log and timber sale information, and timber marketing conditions as they pertain to the subject property market area.

503/682-3766

PARK PLACE BUILDING SUITE A • 30470 S.W. PARKWAY AVENUE
P.O. BOX 423 • WILSONVILLE OREGON 97070

Mr. Charles Nash
March 21, 1990
Page Two --

This appraisal and its use are subject to the contingent and limiting conditions and the certification listed in the Addenda. This letter serves to introduce the appraisal report which follows. The appraisal procedures are described in that report.

Sincerely,

CASCADE APPRAISAL SERVICES, INC.

Ray E. Granvall, Jr.

Ray E. Granvall, Jr.

Larry L. Ismert

Larry L. Ismert

REG:db

HISTORY OF KACHEMAK BAY STATE PARK
LAND AND TIMBER ACQUISITION

- 1970 Alaska State Legislature establishes Kachemak Bay State Park.
- 1971 Alaska Native Claims Settlement Act is passed, entitling Seldovia Native Association (SNA) to select 69,000 acres in the Seldovia area.
- 1974 SNA attempts to select lands in the Jackalof Bay area. State protests those selections, and SNA is forced to select 30,000 acres within the boundaries of the Kachemak Bay State Park.
- 1975 Governor Hammond agrees that the State should work with SNA to accomplish a land trade for SNA's park inholdings.
- 1976 The State Department of Fish and Game begins using SNA's park inholdings for a sport fishery project. Pursuant to this project, there is extensive public use of SNA's property, despite the fact that SNA has never authorized such use by the State or the public.
- 1979 A Memorandum of Understanding is signed between the State, SNA, and other parties which contemplates that the State and SNA will formulate a land trade for SNA's park inholdings.
- 1979-1985 Two small trades encompassing about 5,000 acres of SNA's park inholdings are accomplished. Further trades are not accomplished because of (1) disagreements on the value SNA's park inholdings; and (2) a rapidly shrinking pool of State lands which would be available for trade. Some attractive State lands are diverted to local governments, some are removed from consideration by the CIRI land trade, and some are removed from consideration by in-house decisions at the State Department of Natural Resources.
- Spring 1987 Negotiations for a land trade again break down. Senator Paul Fischer introduces a bill to purchase SNA's park inholdings. This bill does not pass.
- 1987 Due to lack of interest by the State in purchasing SNA's inholdings, SNA makes plans to utilize the property to produce corporate benefits for its shareholders. SNA sells the commercial timber on portions of its inholdings to Timber Trading

Company (TTC), a subsidiary of KONCOR Forest Products Company.

- 1988 Citizens learn of proposed logging on SNA's park inholdings and request action from the State.
- October 1988 State approaches SNA and TTC and proposes a three party exchange. The State will exchange land for land with SNA and timber for timber with TTC.
- June 1989 Parties sign Preliminary Exchange Agreement describing appraisal process and mechanism for creating replacement pools of land and timber.
- Summer 1989 TTC completes a timber cruise and appraisal of its timber. Timber is valued at \$7.5 million dollars.
- Summer to Fall 1989 TTC, SNA, and State attempt to develop replacement pools of State land and timber. State has great difficulty finding sufficient land or timber to equalize values with SNA or TTC. State never does identify lands with a value equal to SNA's park inholdings. State is only able to find two tracts of replacement timber, both in Southeast Alaska. One is near Petersburg and one is near Thorne Bay.
- September 1989 SNA's appraiser, chosen from a list approved by the State, values SNA's inholdings (without TTC's timber) at \$25.6 million. State objects to this appraisal.
- November 1989 SNA is satisfied with original appraisal but requests appraiser to redo the appraisal solely to satisfy the State. Supplementary appraisal values SNA's lands (without TTC's timber) at \$22.7 million.
- Fall 1989 - Winter 1990 Petersburg residents object to inclusion of Petersburg timberlands in the replacement pool. Additional analysis of Thorne Bay timberland reveals a problem with the valuation of its Western Red Cedar, a species with rapidly declining market value. Moreover, southeastern residents assert that Thorne Bay timber should be used for trading stock to acquire park lands in Southeast.
- January 1990 State hires an appraisal of SNA's lands, which values the land at \$11.9 million. SNA objects to this appraisal.
- February 1990 State hires a panel of three appraisers to give a review of earlier appraisals. It is agreed that

this panel's findings are solely for the benefit of the State and are not binding on SNA. Panel concludes the value of SNA's lands without TTC's timber to be \$15.49 million.

- February 1990 SNA is unwilling to exchange its lands for State lands worth less than an aggregate of \$20 million. State land pool is nowhere near this large. State and SNA agree to a cash payment of \$15.49 million for SNA's park inholdings.
- March 1990 TTC and State unable to agree on a value for TTC's timber. Parties agree to arbitrate, and the arbitrators value the timber at \$6.4 million.
- March 1990 Because the State's only replacement timber is at Petersburg (politically unpopular) or Thorne Bay (economically unacceptable due to heavy percentage of low value red cedar, and politically unpopular if used to acquire park lands outside of Southeast Alaska), State and TTC agree to a \$4.5 million cash buy-out for timber.
- Week of March 26, 1990 Bill providing for cash purchase of SNA's park inholdings and TTC's timber is introduced by Governor Cowper.

SIGNIFICANT POINTS, KACHEMAK BAY
STATE PARK LAND AND TIMBER ACQUISITION

- * SNA is a Native village corporation organized pursuant to ANCSA. Its 24,000 acres of park inholdings are lands that have been used and occupied by the Native people of Seldovia for subsistence activities since time immemorial.
- * SNA's park inholdings are located in the heart of Kachemak Bay State Park. They are directly across the bay from Homer, and are the centerpiece of the view of the park which the public enjoys from Homer. TTC's timber is all Sitka spruce for which there is currently a very strong market.
- * Since 1975, the State and SNA have been discussing the possibility of the State's acquiring SNA's inholdings. On at least three occasions, negotiations between the parties have broken down. This is the first time that the State and SNA have agreed upon the terms of an acquisition.
- * TTC acquired most of the commercial forest on SNA's park inholdings in 1987. Ever since, TTC has refrained from logging its holdings because of State requests for a park trade. If TTC's timber is not purchased by the State this year, TTC cannot afford to wait any longer to receive a return on its investment and must commence logging operations. This is the State's last opportunity to obtain the SNA inholdings in pristine condition.
- * The State has not been able to identify sufficient replacement lands to equal the value of SNA's inholdings. The inadequate replacement lands which have been identified have not been the subject of public hearings. Public objection to many of these lands at the hearings is likely, further shrinking the pool. Replacement timber has been located in only two places, both in Southeast Alaska, and is politically undesirable, economically undesirable, or both.
- * Both SNA and TTC depend on money generated by leases of land and sales of timber for revenues used to fund programs for the shareholders of these companies.
- * Both SNA and TTC are responsible land managers with successful track records of recreational lot development and leasing (SNA) and timber management and harvesting (TTC). TTC and its parent company recently received an award from the Governor for excellence in land and timber management.
- * Because of the way that the sale of SNA's park inholdings will divide up its remaining lands and the remaining timber sold to TTC, both SNA and TTC will be left with isolated parcels which will be difficult if not impossible to develop. However, in the interest of completing the acquisition, SNA and TTC are prepared to accept this consequence.

Chronology of Timber Offered by The State of Alaska to Timber Trading Company

- November, 1988 Director of Division of Land and Water Management in conjunction with southeast Regional Office of Division of Forestry offers timber near Chilkoot Lake near Haines. Timber Trading Company using staff personnel and consultants examines and cruises this timber. Timber Trading Company is subsequently informed that the timber is in the Mental Health Trust and is unavailable.
- Spring 1989 Timber Trading Company using staff and consultants cruises its timber at China Poot Bay
- Summer 1989 Timber Trading Company travels to Fairbanks on two separate occasions to examine possible timber selections by airplane. Timber observed in first trip is of interest but Timber Trading Company is subsequently informed that it is part of Mental Health Trust portfolio and is not available. A portion of the timber observed on the second trip located near the confluence of the Kantishna River and the Tanana River is of interest.
- Timber Trading Company, using staff and consultants cruises the timber near the Kantishna River. This timber is subsequently withdrawn by the State due to political pressure.
- Timber Trading Company surveys by air the timber offered by State of Alaska on west side of Cook Inlet and in vicinity of Moose Pass. This timber is of questionable merchantability and of very low value.
- Timber Trading Company using consultants cruises timber on Mitkof Island near Petersburg and near Thorne Bay on Prince of Wales Island. Appraisal, firm of Cascade Appraisal Services subsequently appraises the Mitkof Island and Thorn Bay timber.
- October 1989 Appraisal firm of Cronk and Holmes completes appraisal of Timber Trading Company timber at China Poot Bay values this timber at 7.4 million dollars. Al Cronk and Charles Nash travel to Juneau to discuss appraisal with Division of Land and Water Director, Gary Gustafson and S.E. Regional forester, McAllister. State unwilling to accept appraisal value.
- March 1990 Agreed to arbitration process using Cascade Appraisal Services and Cronk and Holmes results in a value of 6.4 million dollars for the China Poot Bay timber. Upon learning of State's reluctance to convey timber near Petersburg or to fairly value timber at Thorne Bay, John Sturgeon, Chairman of Timber Trading Company agrees to take 4.5 million dollars cash for Timber Trading Company's China Poot Bay timber.

3.27.90

Dear Dick,

The following issues address the realities of the Kachemak Bay State Park. How much it cost the state per visitor in the Kachemak Bay State Park, how many are targeted for land use and how many are fishing in the saltwaters of the park, and what services are supplied by state parks for each of the interest groups.

Persons targeted for land use, hiking, glacier climbing etc. I will be using numbers taken by charter boats only. Because of our extreme tide and weather problems people seldom leave boats unattended.

Water taxi-----	1988-350	1989-309
Lodge -visitors---	1988- 72	1989- 72
Misc. -----	1988-100	1989- 75
Total land traffic-----	1988-532	1989-456

Motor boat traffic specifically headed for park waters not passing through to get to a summer cabin or residence, and kayaks. This is information from A.D.F. & G.

Claming by charter-	1989--120	1989---70
Tutka bay hatchery-	1988-2575	1989-3000
H.C. lagoon Kings--	2600	2200
Chinapoot Reds----	1200	1200
Humppy Creek --	very little activity	
(these I believe are slightly high numbers just by comparing H.C. Lagoon with local opinion)		
Kayaks who traveled, without water taxi, from Homer	1988-75	1989-120
Total Marine traffic	1988-6570	1989-6590

The actual mail survey shows approximately 11,000 finfish participants and 9,000 shell fish participants in Kachemak Bay, however, these two numbers probably have at least a 90% overlap. Of course Not all of the above are targeted for the KBSP. These are 1987 numbers so they may be off, if anything high.

Numbers of persons taken to the park is from information from actual charter persons.

-----Total traffic in the Kachemak Bay State Park-----		
	1988=7102	1989=7046

What does the ranger offer in terms of service to these visitors?

Trail enhancement-most park trails were built by locals over the years, and by the 4H kids. Trail system is confined to the Halibut Cove area. Refer to Exhibit (B)

Emergency assistance- It is difficult to reach the ranger by radio or boat because of location. Of course boat breakdowns are taken care of by RESQUE 21, and /or locals.

Informing visitors of dangers in the park. There is no information concerning the very dangerous tidal lagoons in the park. There basically is no verbal information unless you get into H.C. Lagoon, one of most dangerous lagoons in the Bay.

The ranger checks for fishing licenses in H.C. lagoon. That fishery is over the end of June.

Actually meeting a ranger on one of the Grewink Glacier trails would be unusual because their whaler is too large to be safely left beached. This confines the ranger to the lagoon trail system which get about 50-100 visitors per year, highest percent of traffic going to the Grewink Glacier area.

Information offered in Park Brochure pertains to land use only. The ranger himself is no seaman and seems oblivious to the dangers on the sea. Perhaps because he is operating a \$50,000 whaler that was designed to be safe for anyone. He is also hauling park voluneers, people who simply need a ride, and other rangers for free and with no Coast Guard license.

The Kachemak Bay State park cost the people of the state a very tidy sum of money.

Two boat stalls in the Homer harbor-----	888.30
This isn't extra tranicent fees	
1. 18' aluminum HN-3229	
2. 17'whaler AK1643k	- For one ranger-
3. 27' Blue aluminum	
Annual upkeep and deprciation would average---	15,000
Electricity at H.C.ranger cabin in 1989-----	1143.83
Jan and Feb of 1990 was	291.34
The New Ranger Cabin in H.C. lagoon -----	5000.00
Food and Fuel for Ranger&Volunteers-----	3000.00
Truck -depreciation and repairs-----	6000.00
Rangers part time salery & benefits 6 mo.---	23491.57
Hidden expenses, travel etc.-----	1000.00
Total expenses-----	55523.70
this is not including extra months or other rangers	

This looks like each visitor to the Kachemak Bay State Park costs the state of Alaska 7.88. I may remind you the

the Ranger is available to only 2300 persons so in all honesty it's 23.14 per person.

What has the Park Service actually accomplished over the past 4 years, in the KBSF? Two functioning trails were built and one of those parallels an existing trail. One other trail built up a mountain but has a dead end. Out houses were built in H.C. lagoon. Trail markers we put on all the existing trails, and annual brush out done. This cost the state approximately \$200,000 (being conservative), That is one heck of a lot of money. Many local persons would love to bid on a job like that.

Is the KBSF having a tremendous increase in traffic? NO, I feel the reason for no increase in park use is the tremendous increase in (destination) attractions around the bay. Four years ago I would have taken at least 300 people to the park many of which were student groups, large family outings, etc. There are now more accomodating facilities around the Bay. For example I have had a 40% increase in business over the past 2 years and a decrease in camper traffic. I believe this trend will continue as private enterprise developes.

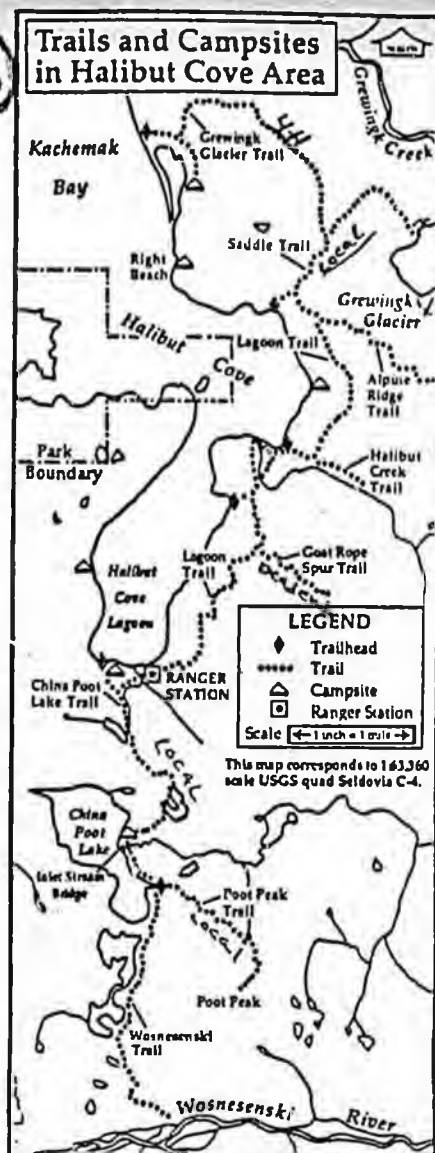
Also keep in mind our adverse weather and tide conditions. The majority of use in the KBSF is on the ocean not upland streams and lakes. Because of the unique problems here on the Bay development cannot take place like it has on the Kenai river for instance, and there for should not be subject to the same type of regulation. The parks persons stated that 11 AAC.12.340 (19) was adopted to satisfy regulation needs on the Kenai river. I feel that any (Commercial) activity associated to the KBSF is incidental (for example, on a rough day a halibut charter fishing off of Glacier Spit) and should fall under -ordinary- use. If Parks wants some information from park users have questionnaires available at the Homer chamber of commerce on Homer Spit. Currently the Ranger in Homer not only is not on the Spit but several miles out of town.

The example of the over blown STING that I recieved for taking a few people to the park for free, seems to indicate a frantic need to substanciate an existence. Another perception could be that the Kenai Rangers are over staffed and have a lot of extra cash. The sting cost approximately \$20,00, involved approximately 40 persons, and 9 of the 10 Rangers from the Kenai division.

Sincerely



Marian T. Beck



Hiking Trails

The park's trails receive little maintenance and often climb over steep, rugged terrain. Routes may be hidden at times by fallen trees or tall grass. Exposed rocks and roots, and wet, boggy areas are common. Depending on the trail taken, you may need to cross several glacial streams. Following is a partial list of the park's trails. Hiking times given are the minimum needed by a person in good physical condition without a pack to hike the trail one way. For more information, contact a state park ranger in Homer or Halibut Cove Lagoon.

Grewingk Glacier (3.5 miles) built by 4H Rating - easy Hiking Time - 1 hour, 20 minutes

This is an easy hike over flat terrain, through stands of spruce and cottonwood and across the outwash of the Grewingk Glacier. It offers superb views of the glacier and surrounding area. There is a small campground about ten minutes from the trailhead, and another at Right Beach, a favorite water taxi drop-off point. Right Beach is accessible by land only from the north and only at low tide. Rock cairns mark the trail across the outwash of the glacier. Access to the glacial ice is difficult and hazardous due to the slide area on the south and steep cliffs on the north. There is a stream near the junction of this trail and the Saddle Trail.

Saddle Trail (1.0 miles) built by Locals Rating - moderate Hiking Time - 25 minutes

This hike leads over the saddle between Halibut Cove and the Grewingk Glacier and is steep on the Halibut Cove side. The Saddle Trail accesses the Alpine Ridge and Lagoon Trails and also connects with the Grewingk Glacier Trail. No transportation is available from the trailhead to Glacier Spit or Halibut Cove unless you have made prior arrangements. It is not possible to hike the beach from the trailhead to the Right Beach campsite due to steep cliffs. The Saddle Trail trailhead is a popular spot to land boats during bad weather. Please respect private property near this trail.

Access to the Park

Access to the park is by boat or airplane, as there are no roads to the park. Air charters, water taxi services and boat rentals are available in Homer.

Alpine Ridge Trail (2.0 miles)

Rating - moderate to difficult
Hiking Time - 1 hour, 40 minutes to

Built by Locals get above timberline

This steep hike begins at the high point on the Saddle Trail and follows a ridge up through spruce and alder stands to the alpine tundra and its many wildflowers. Slippery vegetation may make footing difficult on steeper slopes. Once above timberline, the views of the Grewingk Glacier on one side and a deep glacial valley on the other are spectacular. Rock cairns mark the alpine part of the trail, but picking out some landmarks will make it easier to find the end of the trail for the trip back down. Remember that alpine areas are extremely fragile; please practice minimum impact camping.

Lagoon Trail (5.5 miles)

Rating - moderate to difficult
Hiking Time - 5 hours

From the junction with the Alpine Ridge Trail, the Lagoon Trail winds along Halibut Cove and passes through a wet, boggy area to the Halibut Creek Trailhead and delta. You may be able to ford the river at the low tide line but the water can be high, depending on the weather. Pick up the trail again by walking upstream (on the south side) about 200 yards or walk around the delta on the tide flats. A series of steep switchbacks then leads through a spruce forest up to where the trail intersects Goat Rope Spur Trail at 1200 feet. The trail continues downhill and south, across Falls Creek and on to the end of the lagoon and the ranger station. Here you may take the stairs down to the stream where a sign directs you to the China Poot Lake Trail.

Goat Rope Spur Trail (0.5 miles)

this is a Dead end Rating - difficult
Hiking Time - 1 hour

This is a short, steep trail through alders that begins at the highest point on the Lagoon Trail. It leads hikers up through a "notch" and to the alpine areas where the trail ends. Take your camera for pictures of the view.

Original built by Locals **China Poot Lake (2.5 miles)**

Rating - easy to moderate
Hiking Time - 1 hour, 15 minutes

This trail begins at Halibut Cove Lagoon and passes three lakes beneath China Poot Peak. You reach the first lake after 15 minutes of hiking uphill. The trail crosses the lake outlet stream just before reaching the lake and continues through forest and bog for 30 minutes to the second lake - Two Loon Lake. China Poot Lake is another 30 minutes away through more spruce and muskeg.

Built by Locals **Wosnesenski Trail (2 miles)**

Rating - difficult
Hiking Time - 3 to 4 hours roundtrip

This steep, slick, unmaintained route begins across the China Poot Lake inlet stream bridge and heads up to timberline. Climbing the 2100 foot peak is hazardous due to shifting scree and rotten rock. Hand and foot holds are poor at best and worse in wet weather. Your efforts will be rewarded above timberline with superb views of Wosnesenski Glacier and Kachemak Bay.

Wosnesenski Trail (2 miles)

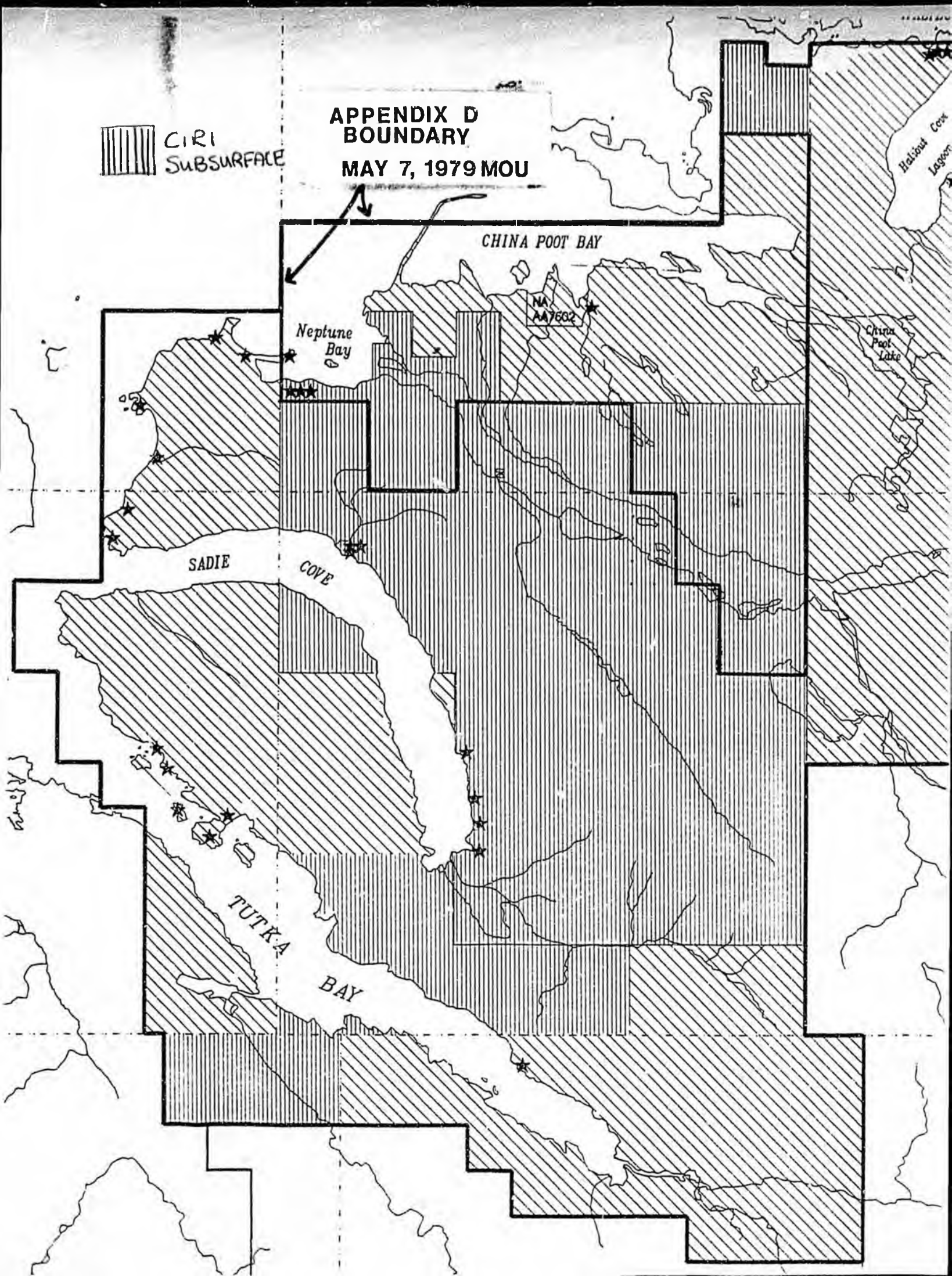
Rating - easy to moderate
Hiking Time - 1 hour, 15 minutes

Begins this trail where it meets the China Poot Peak Trail, about 10 minutes after crossing the inlet stream bridge at China Poot Lake. This fairly easy trail winds along the shoreline of three lakes formed by a geologic fault. You will find a good camping area in a stand of cottonwoods by the lake after about 25 minutes on the trail. After another 25 minutes of hiking, the trail climbs over a low saddle and drops down into the valley. Be careful if you decide to cross the rivers while exploring the valley. Glacial rivers vary in depth and current depending on the weather, but the water level is usually lower in early summer and much higher in July and August. Choose a slow-moving, shallow spot to cross; water above thigh level is too hazardous to cross. A pair of tennis shoes will make crossing these icy rivers easier.



CIRI
SUBSURFACE

**APPENDIX D
BOUNDARY
MAY 7, 1979 MOU**



RESOLUTION 1199-R

A RESOLUTION OPPOSING THE TRADE OF STATE OWNED LAND AND TIMBER RIGHTS IN THE PETERSBURG AREA TO ENLARGE KACHEMAK BAY STATE PARK

WHEREAS, the state of Alaska is proposing to exchange lands and/or timber rights within the City of Petersburg to a private corporation to enhance State land holdings in a remote area in another part of the State; AND

WHEREAS, the land and/or timber trade will merely transfer a problem from one part of the state to another; AND

WHEREAS, the lands proposed for trade were originally to be disposed of only to individual residents of the State of Alaska for homesite development; AND

WHEREAS, Kachemak Bay State Park contains over 320,000 acres, only a small parcel of State Recreation land is located in the immediate vicinity of the City of Petersburg; AND

WHEREAS, no public hearings have been held concerning the land and/or timber trade, no determination has been made regarding the consistency of development plans and land use proposals with the City's comprehensive plan, and no determination has been publicly made regarding the development plans, and no determination has been publicly made regarding the development plans or potential of the land to be traded; AND

WHEREAS, recreation and homesite development may be more compelling public uses for State lands situated within the City of Petersburg, than trading the land primarily for the value of its timber resources;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PETERSBURG, ALASKA:

Section 1. The City of Petersburg opposes the trade of any State owned land to enlarge Kachemak Bay State Park unless such trade will not adversely impact the local public needs for the land proposed in the trade; AND

Section 2. the City of Petersburg opposes the proposed land trade until public hearings have been held on the matter in Petersburg and a determination has been made as to the proposed use of the land: the impact on the community; the consistency with applicable developmental codes; that alternatives to the land trade have been considered and that the proposal best meets the public need; and a finding is made that the proposed trade is made in the public interest with due consideration to the local effects.

PASSES and APPROVED by the City Council of the City of Petersburg, Alaska this _____ day of December, 1989.

Mayor

ATTEST:

City Clerk

Voting "Yes": Bartholomew
Holman
Tallman
Cote
Chenhall
Cruise
Westfall
Voting "No": None
Absent: None
4 votes required for passage
Effective date: 11/6/89

KETCHIKAN GATEWAY BOROUGH
RESOLUTION NO. 877

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, OPPOSING THE TRADE OF STATE OWNED LAND TO ENHANCE KACHEMAK BAY STATE PARK UNLESS SUCH TRADE WILL NOT SUPERSEDE LOCAL NEEDS FOR RECREATIONAL LANDS, WATERSHED PROTECTION, WATER AND ELECTRICAL NEEDS, AND FUTURE TRADING OPPORTUNITIES; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. While Kachemak Bay State Park contains over 320,000 acres, only 62 acres of State Park land is located in the immediate vicinity of the Ketchikan Gateway Borough.

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C. Those persons who would take advantage of any expansion of Kachemak Bay State Park already have far greater opportunities to visit state and federal parks than those in the community of Ketchikan.

D. Various members of the community of Ketchikan has already expressed an interest in placing the White River Corridor and additional land around Harriet Hunt Lake into public ownership, and in making the Leask Lake Drainage, the White River corridor, and Harriet Hunt Lake into a state park or managed with the priority of accessible roaded recreation.

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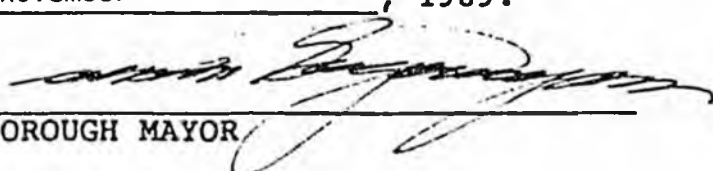
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Section 2. Effective Date. This resolution is effective upon adoption.

ADOPTED this 6th day of November, 1989.


BOROUGH MAYOR

Mitkof timber still on state trading table

by Bob Tkacz

Petersburg City Council will consider, at its Dec. 4 meeting, a resolution opposing a state/native corporation land and timber trade which could include trees and property on Mitkof Island.

Concern is growing among Southeast communities that their lands here will be cleared by

municipal body.

Planning & Zoning Commissioner Kurt Hoelting, speaking as a representative of the Narrows Conservation Coalition, told council the city could be left behind in the decision making process.

His contact with the Ketchikan Bay Citizens Coalition, the group pushing

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"pretty definitely" to be included in the land trade. State-owned timber within the city limits is also under consideration as part of the deal, but Alaska Department of Natural Resources (DNR) and SNC representatives disagree over the value of the timber the native corporation has to trade.

The basic bargain being developed proposes that the SNC exchange 24,000 acres of inholdings within Kachemak Bay State Park for state-owned land elsewhere. Timber on an estimated 4,435 acres within the park is considered commercially viable, according to the DNR, and SNC would receive one time logging rights to an equivalent amount of state-owned timber.

Trees along lower Cabin Creek, south of Frederick Point, have been surveyed by the state for possible inclusion in the timber trade. Impetus for the trade is coming from the Homer area where residents oppose logging of the SNC land within the park which is visible from the Kenai peninsula city.

The state is considering trading 19 parcels of land totaling about 4,000 acres on the Kenai Peninsula to SNC along with other lands on the

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The disagreement over the value of the timber within the park has slowed a schedule which had called for public hearings in affected communities this month. Comment sessions will be held in January in communities near areas which are proposed for inclusion in the trade.

The Petersburg Planning & Zoning Commission took a renewed interest in the trade and was moving toward statement of its position on the proposed trade after the Ketchikan Gateway Borough approved a resolution opposing any trade for land in its vicinity which could adversely affect its needs "for recreational lands, watershed protection, water and electrical needs and future trading opportunities."

While the proposal has not been finalized a version advertised by the state in September would include three planned parcels totaling five acres

in the Frederick Point East subdivision as part of the property swap.

DNR Southeast resource allocation officer Dick Mylius said that lots "are pretty definitely in" the trade package. The lots have previously been designated for public sale and the SNC would offer them on the real estate market if the trade is completed, Mylius said.

Uncertain is whether 42.6 million board ft. (MB) of timber on Mitkof Island will be included in the trade. Mylius said a timber cruise determined 13 MB of spruce, 26 MB of hemlock and 1.5 million of yellow cedar is commercially viable.

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"We don't feel the land or timber appraisal substantiated those values," he said.

Last week an SNC representative said the corporation recomputed its values and suggests the property is worth almost \$23 million, but Mylius said the state will conduct its own value survey of the property.

He expects that research to be completed by the end of this year at which time a specific trade package could be publicized for comment.

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At last week's meeting members of the Petersburg Planning & Zoning Commission were divided on when it would be appropriate to take a position on the matter, but the Ketchikan Gateway Borough's resolution moved commission chairman Brian Lynch to join those suggesting the city should not wait to take its stand.

PETERSBURG, ALASKA

Pilot, November 23, 1989

"Any time the city's confronted with something like this I think comment should be made, either pro or con, so the agency involved knows what the city's position is," Lynch said after last week's meeting.

At the Nov. 14 session he suggested the commission await determination of the final package before commenting. The Ketchikan Gateway Borough's resolution "puts the ball in our court, or may have put us behind the eight-ball," Lynch said.

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"The addition of 50,000 acres to Kachemak Bay State Park through the trading of state-owned land could adversely impact the state's opportunities to trade state land for Ketchikan needs," the resolution declares.

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Commissioner Karin Hopper opposed Hoelting's suggestion to develop a position and forward it to the city

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Hoelting was the only commissioner present at the council meeting, but he emphasized the most others opposed the land trade. Mayor D.A. Coon, who attended the commission meeting agreed with Hoelting.

"I think Petersburg should take a firm stand and let Fairbanks get logged off," the mayor said referring to property near there being also being considered in the trade package.

Coon twice asked for a motion from council members during the discussion before Councilwoman Marian Estelle moved that the resolution be drafted.

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By BELINDA CHASE
Daily News Staff Writer

A resolution objecting to trading state-owned land in Southeast to enhance Kachemak Bay State Park was approved unanimously Monday by the Ketchikan Gateway Borough Assembly.

Using a proposed resolution drafted by local citizen Bill Rotecke, the resolution opposes a trade that interferes with the state's ability to trade lands to meet the recreational, water and power needs of Ketchikan.

Kachemak Bay State Park, near Homer, has 320,000 acres compared to Ketchikan's 62 acres of state park land. Some land proposed for Kachemak Bay Park is located on Prince of Wales Island and other subdivisions in Southeast, said Rotecke.

"Ketchikan's needs may be ignored if Ketchikan doesn't speak up for its concerns," he said.

Dale Pihlman concurred with Rotecke, calling the proposed trade inappropriate.

Letter approved

In other natural resource issues, a letter to the Alaska Congressional Delegation regarding concerns with the National Forest Receipts Program was approved.

The U.S. Forest Service "charges" stumpage fee for timber harvests on federal land. The program allows timber stumpage fees to be allocated to organized boroughs, with the funds to be used for public schools and roads. A concern of the borough's is that substantial funds

are being placed in the state general fund instead of in the communities where the timber is being cut, according to Mayor Ralph Gregory's letter.

The letter suggests amending the federal law or allowing the state to create a formula which would allocate the money straight to the affected communities.

Timber stumpage fees should bring more than \$100,000 into Ketchikan's coffers this year, the most since 1982. For the current federal fiscal year, forest receipts only topped \$13,764.

Assemblyman Ralph Bartholomew had some objections to the letter, believing it could hamper Ketchikan's efforts to receive other resource funds.

"To me it's greater than just forest stumpage," he said. "I think it's bigger than what we're talking about."

Other business

In other business, a request for proposals to hire a community lobbyist was approved 7-0 Monday. It is hoped that a lobbyist will be hired by mid-December. Jim Ayers, the previous lobbyist, recently accepted a job as Alaska Marine Highway Service director and will no longer provide lobbying services for Ketchikan.

Disclosing clients and conflicts of interest, along with not having lobbying contracts with other communities are some of the stipulations listed in the contract.

While searching for a lobbyist, the assembly concurred that Ayers'

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Contracting with Coopers & Lybrand of Anchorage to complete the borough's annual audit was approved 7-0. Services are not to exceed \$40,000. Hogan, Mecham, Richardson & Co. of Ketchikan recently withdrew its services after borough staff criticized a borough computer study that the firm had done.

As a result of the negative comments, the public could perceive that the auditing firm's objectivity is impaired, according to the firm.

Assemblyman Don Chenhall questioned if the local firm was interested in offering a proposal in the future.

"I'd like to make sure that we let them know that we would like to see a proposal for their services again," he said.

Bed tax proposal

Assemblywoman Cheryle Wolf-Tallman requested scheduling a future agenda item regarding a bed tax outside the city of Ketchikan. There is now a 4 percent bed tax (or transient room tax) within the city. The tax generated from hotels help fund Ketchikan Visitors Bureau. The proposed concept would include all resorts and bed and breakfasts outside the city, said Wolf-Tallman.

In Ketchikan International Airport news, the airport ferry Dick Borch was sold to locally-owned Crown for \$90,000. The ferry, the oldest of the airport ferry fleet, will be used as a staging deck for a floating camp.

Voting "Yes": Bartholomew
 Holman
 Tallman
~~Cote~~
 Chenhall
 Cruise
 Westfall
 Voting "No": None
 Absent: None
 4 votes required for passage
 Effective date: 11/6/89

K E T C H I K A N G A T E W A Y B O R O U G H
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 BOROUGH MAYOR

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OPT

Anchorage Daily News

Gerald E. Grilly
Publisher



Howard Weaver
Editor

Michael Carey, Editorial Page Editor
Patrick Dougherty, Managing Editor

Katherine Fanning, Editor and Publisher 1971 to 1983
Lawrence Fanning, Editor and Publisher 1967 to 1971

Founded in 1946 by Norman C. Brown



Time to deal

State should buy Kachemak park inholdings

To appreciate how Homer-area residents feel about Kachemak Bay State Park, consider an analogy to Anchorage's Bicentennial Park. Several proposed developments in the city's midtown wilderness park have stirred angry opposition. But imagine the outcry if a private company owned Bicentennial Park's timber and wanted to turn loose the chainsaws.

That gives some sense of how people near Homer feel about the possibility that the jewel of a park across the bay will be logged. And that prospect is no idle threat. Seldovia Native Association owns some 25,000 acres in the park. The firm has already sold timber rights on one-sixth of the lands.

The state would like to protect the park. To do so, it's been trying to work a land exchange with the Seldovia firm for some 13 years without success.

But now comes hope a deal can be done. The state has dropped the idea of a land trade in favor of paying cash. A new state estimate of what Seldovia's land is worth has brought the two sides closer together than ever.

There's just one large hurdle left: The legislature must agree to fund the park purchase. Lawmakers should seize the moment.

Gov. Cowper is asking for \$17.8 million. That's not as much as the Seldovia firm and its timber partner want, but it's more than the land is worth as timber property. The three parties can fine-tune the price as the legislature reviews the funding proposal.

Failing to strike a deal will have bitter consequences. Any logging will disrupt China Poot Bay, one of the area's most popular and sensitive estuaries. A ugly scar will sit for all to see on the Homer side of the bay. As state parks director Neil Johannsen points out, the inevitable backlash could jeopardize public support for more appropriate logging projects.

But the situation needn't become so poisoned. Both sides agree the land's highest and best use is a park. The state is willing to pay a price that reflects that fact.

The legislature should give the parks division enough money to show the state is serious about a deal. If the two sides will then quit haggling over the price, Seldovia Native Association will have a solid deal for its shareholders and Kachemak Bay State Park will get the protection it deserves.

Freedom

OAKLAND — When U.S. Rep. Gus Savage of Chicago wants attention, he knows how to get it. He utters a string of unseamy attacks on Jews, "the white media" and homosexuals. In a manner similar to white "race baiting" politicians of a bygone era in old Dixie, Savage knows bigotry "sells" for its shock value.

Savage was re-elected to his seat from a mostly black district the other day, and he used tactics familiar to any journalist who covered the dying gasps of Jim Crow politics in the Deep South. Those similarities might have escaped Savage because subtlety has never been his strong suit.

The specter of a black anti-Semitic politician bursts afresh on the nation's consciousness at a peculiar moment. That is so for two reasons, one slightly hopeful, the other deeply ominous. Both have to do with bigotry in the nation and the world.

In Boston, a city tormented by racial tensions for decades, a new program promises hope. Called "Facing History," the program reaches Boston schoolchildren with a powerful mes-

**Purchase of Inholdings
within
Kachemak Bay State
Park**

HB 590

SB 536



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that enables the state to acquire 37 square miles of inholdings within Kachemak Bay State Park. The bill appropriates \$17,820,000 to the Department of Natural Resources (DNR) to purchase all of Seldovia Native Association's land and Timber Trading Company's timber on this land in the park.

For 15 years the state has been working on various land exchange proposals to acquire Seldovia Native Association's (SNA) 24,000 acres of inholdings that are within Kachemak Bay State Park. The land was state-owned when the park was established in 1970, but then it was subsequently acquired by SNA under the Alaska Native Claims Settlement Act of 1971. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

This 24,000-acre parcel lies south and east of China Poot Bay, extending south to Sadie Cove. This land is in the center of Kachemak Bay State Park. China Poot Bay has high fish and wildlife habitat values. The land owned by SNA has high recreation and scenic values and lies directly across Kachemak Bay from Homer.

Commercial recreation development and timber harvest have been proposed on this land. Acquisition of SNA's land is crucial to protect the public recreation, wildlife, and scenic values of the park. Since October 1988, DNR, SNA and TTC have been actively involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Consistent with Alaska Statutes 38.50, we had intended to submit a final exchange agreement to the Legislature for approval this session. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land.

An appraiser hired by SNA arrived at two different values of SNA's land in the park -- \$22.7 million and \$25.6 million. We disagreed with both appraisals because the appraiser used only parkland as comparable properties to set the value of SNA land. The appraiser made few adjustments to comparables to address differences in size, location, and date of sale. DNR contracted for an independent appraisal that valued the land at \$12 million, which SNA disagreed with.

In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded the value of SNA's land, with the timber still in place, is \$17,820,000. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.62 to \$15.49 million.

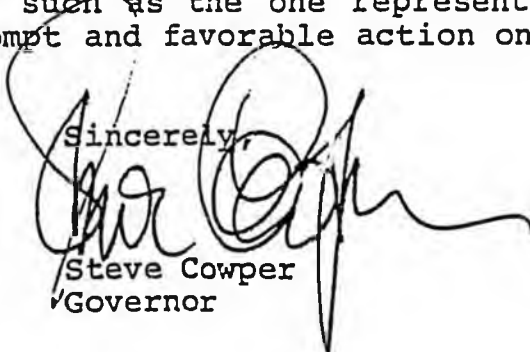
On February 28, after an exchange of offers, DNR offered SNA \$15.49 million, the highest value the panel arrived at assuming the timber was harvested on a portion of the land. SNA rejected this value unless the state was willing to pay the full value in cash. SNA would agree to a land exchange only if the state agreed to pay a higher value for SNA's land. DNR refused to consider an exchange that valued SNA's land higher than \$15.49 million because appraisals have not substantiated a higher value.

We agree that \$17.82 million is an acceptable value for SNA's land. This is at the high end of the appraised values, but this is a difficult parcel to appraise. This value should be the same whether SNA's land is acquired by exchange or through a cash purchase.

I support a cash purchase recognizing that past land trade efforts failed, in part, due to differing opinions of the value of SNA's land. SNA will not negotiate an exchange that is based on fair market value, but is willing to sell its land for cash at fair market value.

I request that the legislature appropriate the funds to purchase SNA's land and TTC's timber. The amount of time, effort, and money spent by the state, SNA, and the people of Alaska over fifteen years demonstrates that there is public support for making Kachemak Bay State Park whole. The length of time further demonstrates how difficult it has been to reach an agreement such as the one represented by this bill. I urge your prompt and favorable action on this measure.

Sincerely,



Steve Cowper
Governor

History:

Kachemak Bay State Park was created by the Alaska Legislature in 1970. The following year, the U.S. Congress passed the Alaska Native Claims Settlement Act (ANCSA), which entitled Alaska Natives to receive land as settlement of aboriginal land claims (including federal lands that had already been transferred to the state).

SNA selected and received title to over 29,000 acres of its ANCSA settlement from lands within Kachemak Bay State Park. The SNA selections included key coastline and other high public use areas, including lands near China Poot Bay, one of the most beautiful and accessible sites within the park.

In 1979, a Memorandum of Understanding between SNA and the state Department of Natural Resources (DNR) was executed. Among other things, the memorandum committed the state and SNA to exchange SNA's park inholdings for state land of equal value.

In 1983 and again in 1985, the state and SNA successfully completed two small land exchanges. Two larger exchange attempts were unsuccessful, and further negotiations waned. At this writing, SNA still owns 23,642 acres within the park.

Recent Developments:

Roughly two years ago, it was disclosed that SNA had sold timber cutting rights on 15,400 acres of its park inholdings as well as other nearby SNA land to Koncor Forest Products Company, through its subsidiary Timber Trading Company (TTC).

With a twelve year timber harvest contract (from May 30, 1987 until April 30, 1999), TTC planned to begin logging operations in the near future. These plans dismayed a number of people who appreciate the recreational and scenic values of Kachemak Bay State Park, and who want to see the integrity of the park preserved.

Almost immediately, a statewide grass roots effort to revive the trade started, and a new round of negotiations began. Participants included representatives from DNR, SNA, TTC, members of the Kachemak Bay Citizen's Coalition, and local representatives.

The first step in the revived exchange process was to assemble a pool of state land to offer SNA. Once DNR completed this, the next step was an appraisal of SNA's land within the park.

An independent appraiser, under contract to SNA, arrived at two different values for SNA's property within the park, depending on the potential for timber harvest was treated: \$22.7 million and \$25.6 million. Market value of timber was considered in addition to this, and at one point, the total value of the inholdings was estimated to be in the area of \$32 million.

DNR officials disagreed with the methods used by SNA's appraiser, maintaining that these values were not substantiated. DNR then contracted for its own independent appraisal, which placed the land values at \$12 million. SNA disagreed with this value.

In February, an arbitration panel of three independent appraisers was selected by DNR and SNA to review the appraisals and render an opinion of the value of SNA's property. Though SNA agreed to the panel, it did not agree to be bound by the panel's results.

After some deliberation, the panel concluded that the value of SNA's land, with the timber left in place, was \$17.82 million. If timber on a portion of those lands were harvested, the value

for the land alone ranged from \$11.62 to \$15.49 million, depending on what assumptions were made regarding the impact of any potential timber harvest. SNA still felt these values were too low, but agreed to negotiate.

After an exchange of offers and counter-offers, an agreement was reached on February 28, 1990. Under the terms of this accord, the state declared its willingness to purchase the balance of SNA's lands within Kachemak Bay State Park for \$15.49 million. Though the figure is at the high end of the arbitration panel's valuation, DNR concedes that it is a very difficult parcel to appraise. SNA has assented to this price only if the state makes an outright purchase of the property, not an exchange of land.

Timber:

TCC's timber within the park has been recently appraised as having a market value of \$6.4 million, and the DNR has been working on state acquisition of TTC's timber within the park through an equal value timber exchange. State timber available for an exchange is limited. After considerable effort, TTC and the state agreed on two suitable parcels for an exchange: one near Thorne Bay on Prince of Wales Island, and the other at Frederick Point on Mitkof Island, near Petersburg.

The Thorne Bay timber is primarily red cedar (44%) and western hemlock (41%), with some Sitka spruce (11%). At this time, market prices for red cedar are dropping, and it is expected this trend will continue. This price drop has affected negotiations between the state and TCC. Additionally, there is some objection by Thorne Bay residents to harvest in this area, though such objection may be lessened if harvest would result in construction of a road to Tolstoi Bay.

The Mitkof Island parcel is composed mainly of western hemlock (61%) and Sitka spruce (36%). The timber values are high, and the market for hemlock & spruce appears to be relatively stable. However, substantial portions of Mitkof Island have already been harvested, and there is strong objection by Petersburg residents to any further harvest.

In light of the political reality that without approval from area residents, any exchange of timber (and subsequent harvest by TTC) of the Thorne Bay and Mitkof Island areas will be very difficult to accomplish, another option has been chosen: the cash purchase of TTC's timber within Kachemak Bay State Park.

Legislation:

House Bill 590 (and a Senate companion bill, Senate Bill 536) was introduced by the Governor on March 28, 1990. The measure provides an appropriation of \$17.82 million for the outright purchase of both land and timber inholdings within Kachemak Bay State Park.

What the State will Gain:

Seldovia Native Association's 23,642 acres are in the center of Kachemak Bay State Park, lying south and east of China Poot Bay, and extending southward to Sadie Cove. This comprises the "heart" of the park, and is noted as one of the most beautiful scenic areas in the state. Because of its high recreational values as well, state acquisition of these inholdings will protect and preserve the integrity of the park for generations to come.

Scenic and Recreational Values

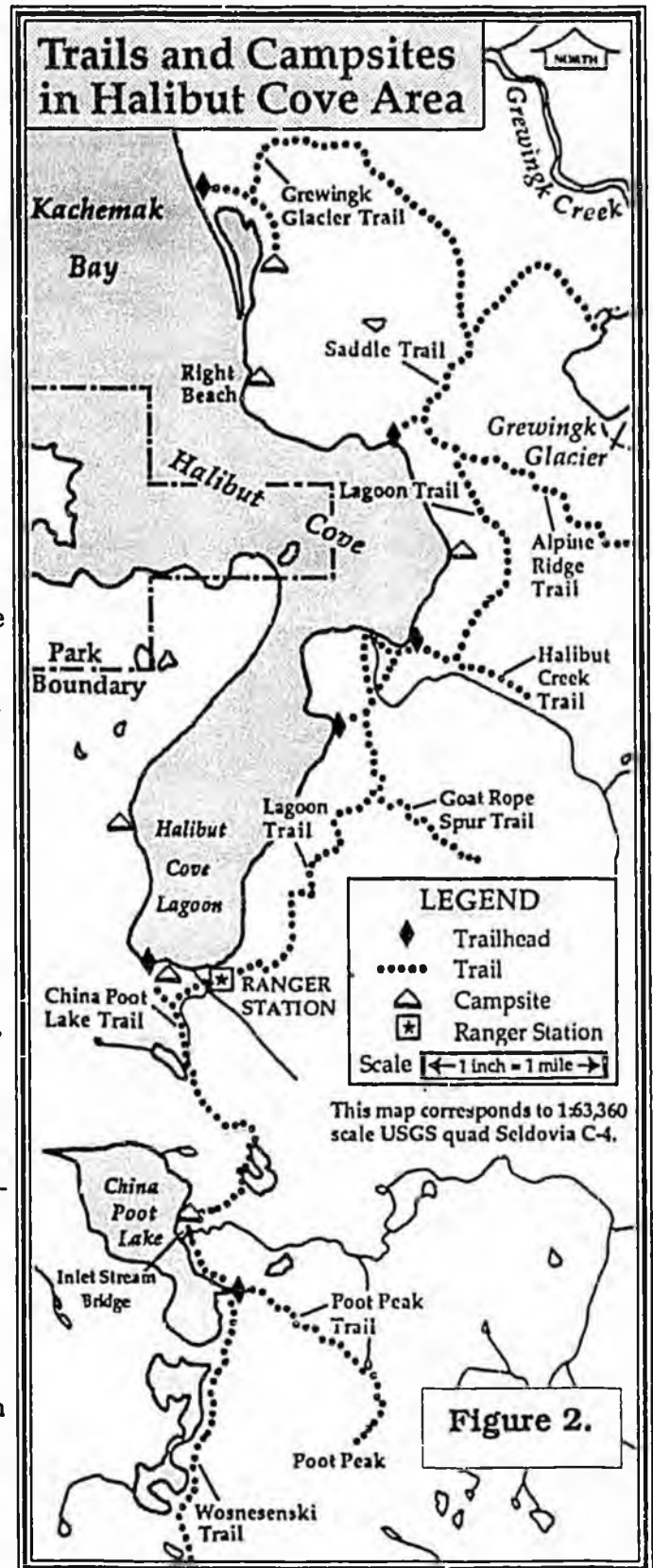
A large portion of SNA's park inholdings are highly visible from Homer and the Homer Spit, with China Poot Bay being the centerpiece for this breathtaking tableau. A photograph of China Poot, taken from the Homer side, was used by the Nation Geographic Society in its 1990 calendar, "Seashores of the World." The proposed timber harvest would include most of these scenic uplands.

Scenic flights and fly-in fishing trips are conducted by at least two Homer based flight services, and there are numerous charter boat operators offering scenic and fishing tours of the area. A major commercial lodge is located at China Poot Bay, directly across from SNA's land, and the Center for Alaska Coastal Studies is located on the Island Peninsula between Peterson bay and China Poot Bay. There are smaller lodges, private residences and cabins located along Peterson Bay, Neptune Bay, Sadie Cove and Halibut Cove. Most park users feel strongly that any logging of this pristine area would threaten the primary uses of the park, which are based on fishing and tourism. The common focus of the Homer and Kachemak Bay communities is to enhance and encourage greater recreational opportunities, while retaining the wilderness values of the park.

Most recreational use of Kachemak Bay State Park is concentrated on or adjacent to water - pleasure boating, sport fishing, clam digging, kayaking, crabbing, shrimping, beachcombing, photography, scuba diving and wildlife observation. Visitor use figures for Kachemak Bay State Park are hard to determine, and are incomplete, but annual visitor use day counts taken during periods from 1982 to 1989 range from 21,444 (seven-month period in 1982) to 27,134 (four-month period in 1987). A visit to the bay on any summer day makes it obvious that the park is one of the most heavily used recreational areas in southcentral Alaska.

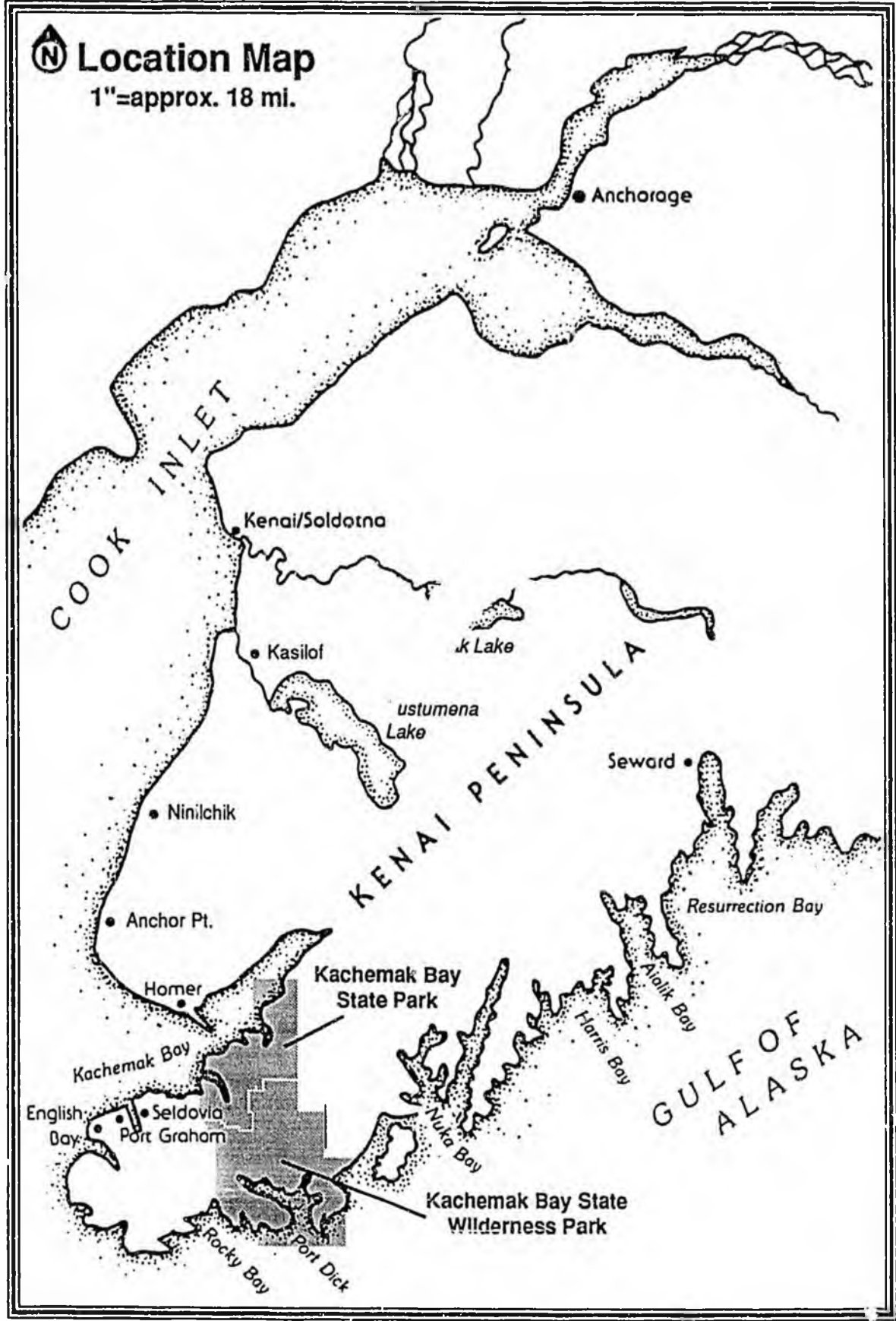
Since many beach areas provide firewood, tent sites, and occasional drinking water, they are important focal points for recreational activities, including picnicking, camping and hiking. Many of the existing trailheads in the park (see Fig. 2) are located on beaches, and thus are entry points for other upland activities - hunting, backpacking, mountaineering and skiing. As the trail system improves, backpacking is becoming more popular, and improved access has spurred an increase in mountaineering and skiing on the park's many snowfields and glaciers.

Natural fish runs, combined with Dept. of Fish & Game enhancement programs, provide fishing opportunities that attract large numbers of both sport and commercial fishermen to Kachemak Bay waters.



N Location Map

1"=approx. 18 mi.



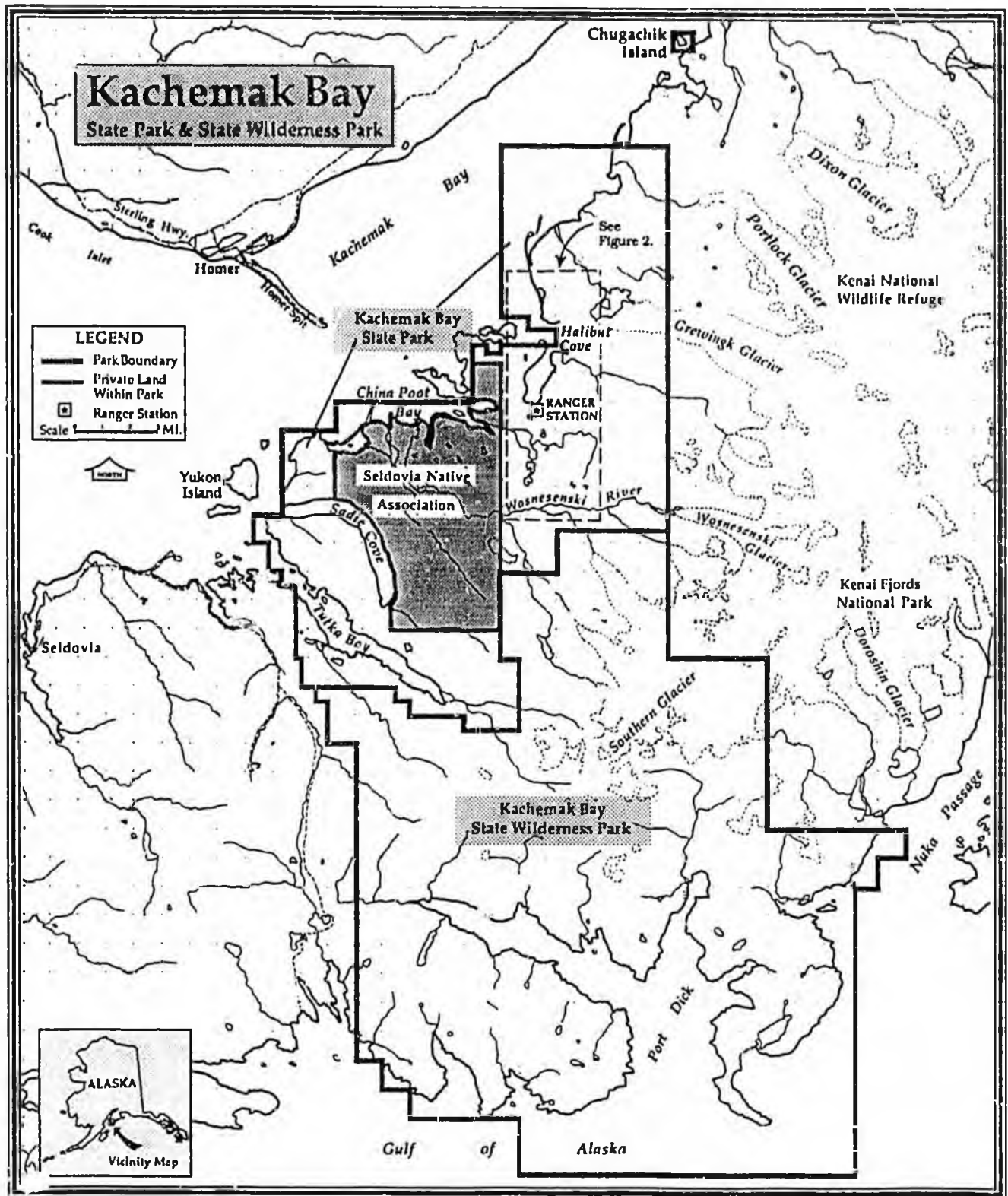


Figure 1.