

**S B**

**536**

NAME:  
TITLE: "An Act making a special appropriation to the Department 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; and providing for an effective date."

PRIME SPONSOR: RULES  
BY REQUEST OF THE GOVERNOR

CURRENT STATUS: (S) FIN STATUS DATE: 05/01/90

Selection=>  
PF1 PF2 PF3 PF4 PF5 PF6 PF7 PF8 PF9 PF10 PF11 PF12  
HELP SUBJ EXIT MENU TEXT PRINT BWD FWD FIRST LAST QUIT  
SB 536 Bill/Resolution Floor Action Page 2 of 2

	Jrn-Date	Jrn-Page	Action
1	03/28/90	3078	(S) READ THE FIRST TIME - REFERRAL(S)
2	03/28/90	3079	(S) L&C, THEN RES, FINANCE
3	03/28/90	3079	(S) GOVERNOR'S TRANSMITTAL LETTER
4	04/26/90	3613	(S) L&C RPT CS 3DP 2NR SAME TITLE
5	05/01/90	3769	(S) RES RPT 3DP 2NR (L&C)CS SAME TITLE
6	05/01/90	3769	(S) REFERRED TO FINANCE

Selection=>  
PF1 PF2 PF3 PF4 PF5 PF6 PF7 PF8 PF9 PF10 PF11 PF12  
HELP SUBJ EXIT MENU TEXT PRINT BWD FWD CMT/JRNL FIRST LAST QUIT  
BASIS Journal Text

05/01/90 SB 536 SENATE JOURNAL PAGE 3769

The Resources Committee considered SENATE BILL NO. 536 (An Act making a special appropriation to the Department 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; and providing for an effective date) and recommended t

Offered: 4/26/90  
Referred: Resources and Finance

go0550sH

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

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.

1     \* Sec. 3. The unexpended and unobligated balances of the appropriations  
2 made by this Act lapse into the general fund December 31, 1990.  
3     \* Sec. 4. This Act takes effect July 1, 1990.



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

**HB 590  
SB 536**

**N** Location Map

1"=approx. 18 mi.



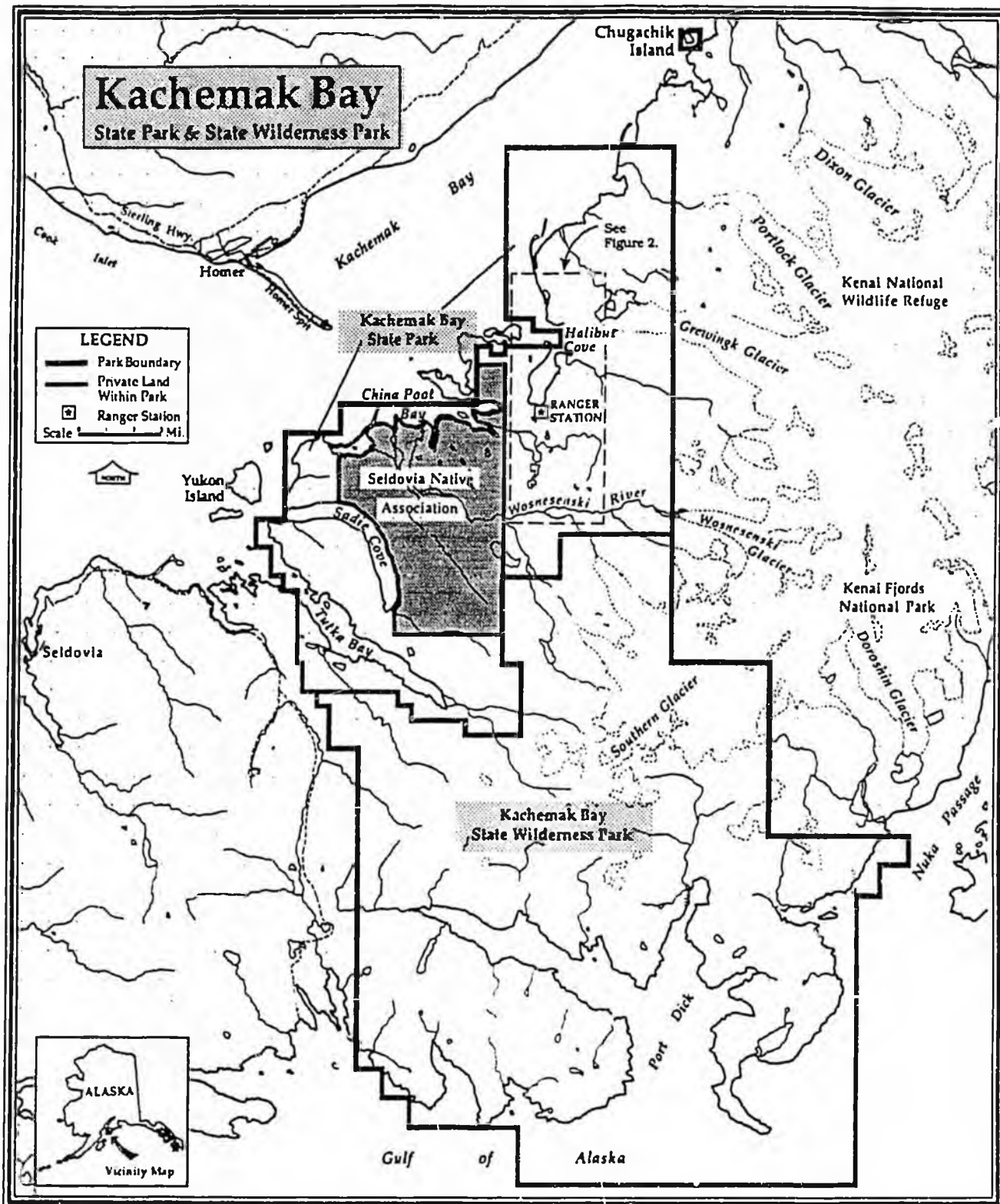


Figure 1.

## 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

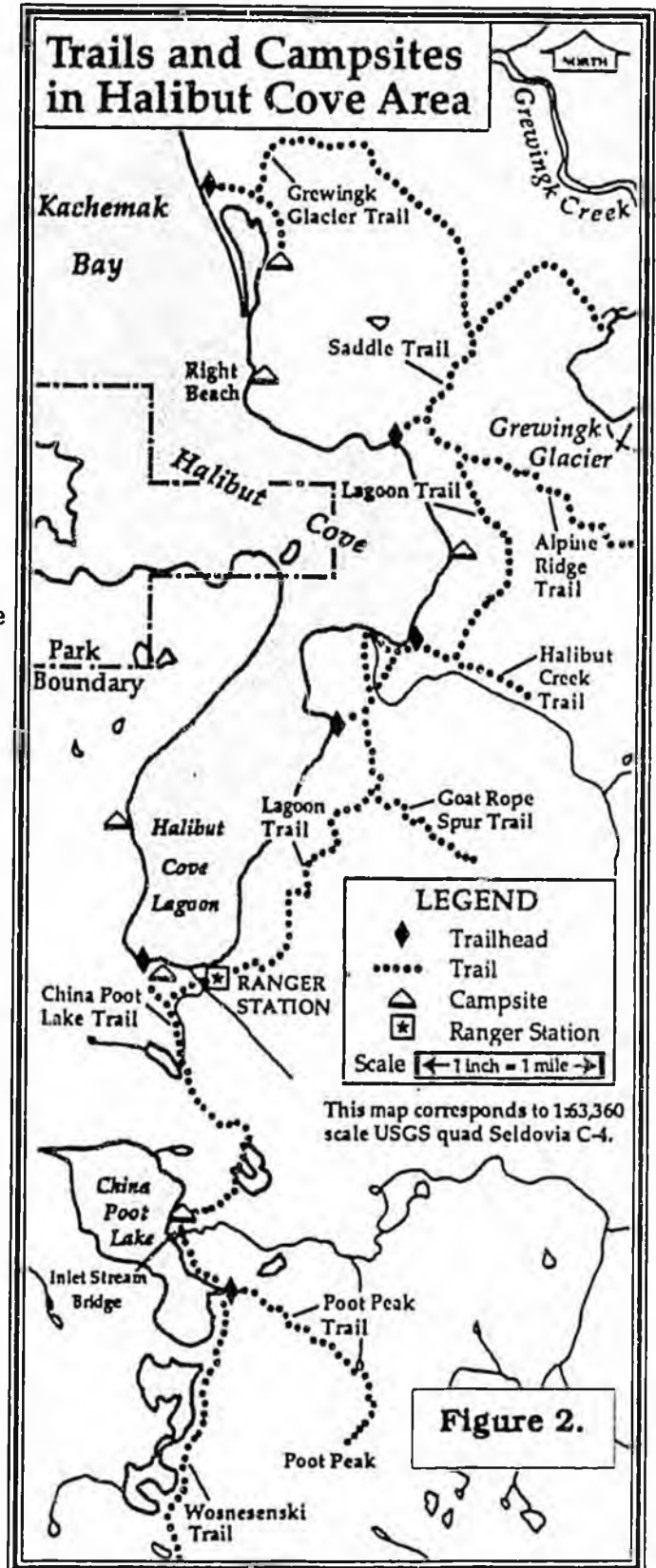
A large portion of SNA's park inholdings are highly visible from Homer and the Homer Spit, with China Poot Bay being the centerpiece for this breathtaking tableau. A photograph of China Poot, taken from the Homer side, was used by the Nation Geographic Society in its 1990 calendar, "Seashores of the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



APR 18 1990

**KACHEMAK BAY STATE PARK CITIZENS ADVISORY BOARD**

**DAVID STUTZER, CHAIRPERSON**

**P.O. Box 2296  
HOMER, AK 99603**

April 12, 1990

Senator Bettye Fahrenkamp  
P.O. Box V  
Juneau, AK 99811

Dear Senator Fahrenkamp,

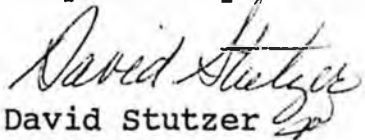
We, the Kachemak Bay State Park Citizens Advisory Board, urge you NOT to support Senate Bill 528, a bill written to set aside 20 acres of Kachemak Bay State Park for commercial mussel mariculture. AS 41.21.130 - 41.21.134 explicitly prohibits incompatible commercial use in a state park. This bill was designed especially to circumvent Alaska statute. Senate Bill 528 sets a dangerous precedent with respect to the integrity of all of Alaska's state parks. Instead of addressing the larger question of what constitutes an incompatible commercial use, the supporters of this bill are creating one small loophole that may be used later to justify other special exceptions.

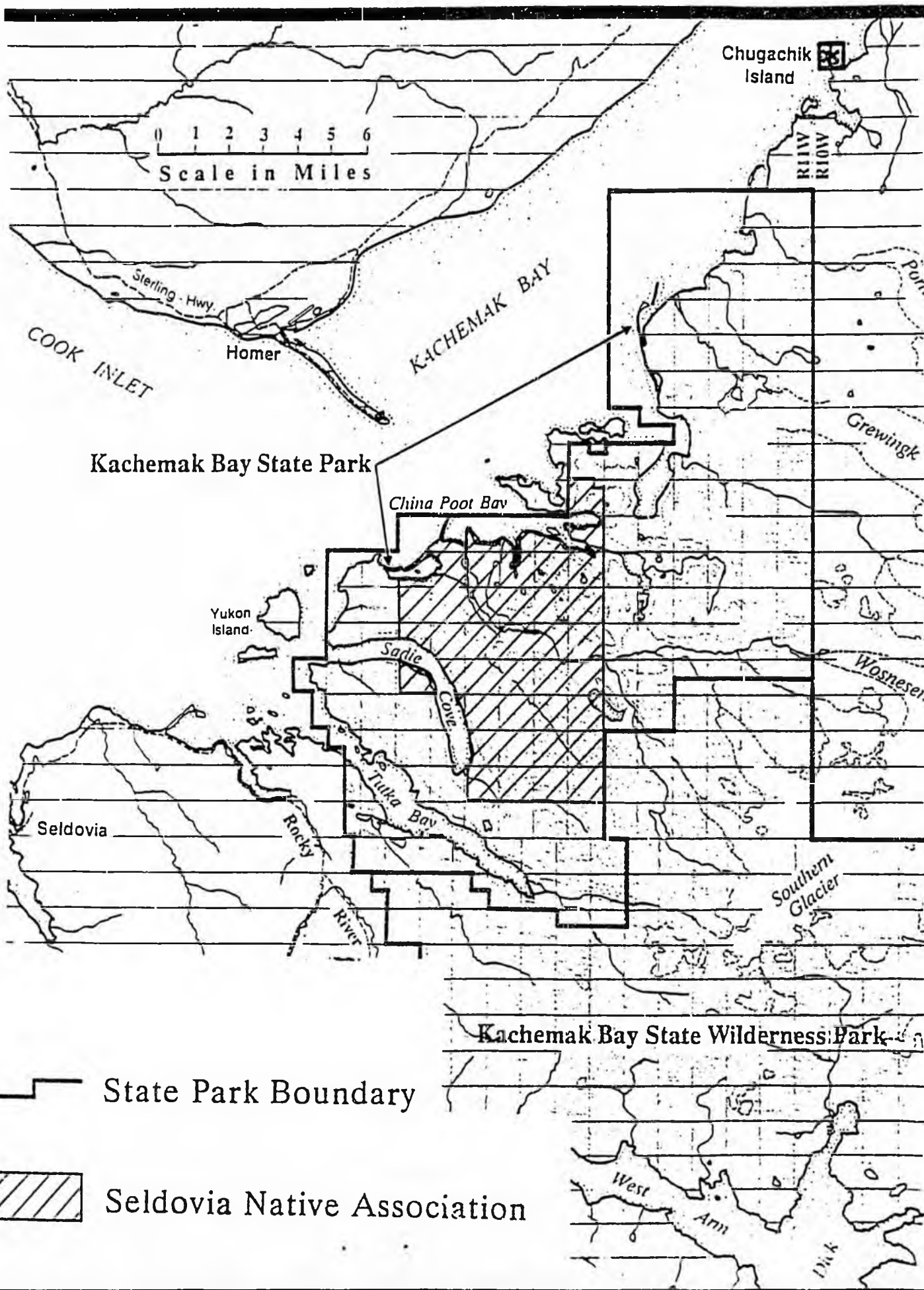
Although none of the Kachemak Bay State Park Citizens Advisory Board members are against mussel mariculture, the Board has for the last three years opposed the issuance of permits for commercial shellfish mariculture. Last year the Advisory Board was unanimously resolved against the continuation of these permits in Kachemak Bay State Park.

Citizen involvement is essential in our parks planning process. This bill has been supported by DNR, the Alaska State Chamber of Commerce and the Kenai Peninsula Borough with NO public hearing and without any notification to the Kachemak Bay State Park Citizens Advisory Board. As such, support of this bill by these agencies is an insult to Park Advisory Boards across the state and to our park management plans.

State parks are designated to protect public lands - they should NOT be chopped into little pieces to accommodate special commercial interests, incompatible with natural resource management and recreation. Senate Bill 528 erodes the integrity of Kachemak Bay State Park and Alaska's parks statewide and should not be supported.

Respectfully submitted,

  
David Stutzer  
Chairperson



Powder Island at low tide

P.O. BOX 110  
Seldovia, Alaska 99663  
(907)234-7858



3-29-90

APR 4 1990

Dear Senate Resources Committee -

I am a resident of Seldovia and own a Wilderness Lodge on Seldovia Bay.

Powder Island is of major concern to me and many of my neighbors. We fully support placing Powder Island in the Kachemak Bay State Park.

This island is unique with many beaches, eagles and at low tide it is not an island but connected to the mainland.

Powder Island Cove that surrounds Powder Island is special to everyone in Seldovia. If

you give SNA this island you will be sorry.

~~The~~ SNA has been hard on the natural resources of this area - clearcutting, gravel extraction and really aren't capable of being the steward of such a special island.

Please Keep Powder Island |

Thanks: Deb Robertson, Box 110, Seldovia, Ak 99663

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.

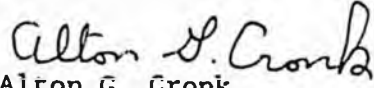
The fair market value is described as the price that would be paid for the subject timber that is exposed to the market for a reasonable length of time, and that price which would be agreed upon by a seller and buyer, both of whom are equally informed and have reasonable knowledge of the facts concerning 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 SW PARKWAY AVENUE  
PO 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

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 &amp; HOLMES

*Consulting Foresters*

1215 N. ADAMS STREET

P.O. BOX 978

MCMINNVILLE, OREGON 97128

ALTON G. CRONK  
RICHARD W. HOLMESTELEPHONE (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

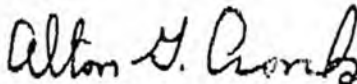
Dear Mr. Nash:

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 &amp; HOLMES



Alton G. Cronk

AGC:j11

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.

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.

