



MEMORANDUM STATE OF ALASKA

Department of Natural Resources Division of Agriculture

TO: Board of Agriculture and Conservation

DATE: February 23, 2017

FROM: Amanda Swanson, Loan Officer

SUBJECT: ARLF Asset Report
February 2017

Umnak Slaughter Facility Lease Review

On February 2, 1982, DOT&PF issued a perpetual management agreement to the Department of Natural Resources, Division of Agriculture, for 6,597.89 acres of land identified as Tract 1 Parcel B, Umnak Airport (Fort Glenn). The title to the land remains in DOT&PF's name. The purpose of the agreement was to allow the Division of Agriculture to utilize the above portion of land, including buildings, for agricultural use and development. ARLF had previously gained lease interest to another property, consisting of approximately 11,200 square feet of land, after ARLF had loaned money to an individual to build a slaughter facility and ARLF took an Assignment of the DOT&PF lease as part of the collateral. The individual later went through a bankruptcy and the ARLF gained the lease interest to protect its collateral.

On September 4, 2008 Bering Pacific Ranches LTD DBA Alaska Natural Meats, Inc. requested and were approved a long term lease for the Umnak Airport property which includes both properties described above. The initial term of the lease was for 25 years which began January 1st, 2007 and will expire December 31st, 2031. Lessee shall have first option to renew under mutually acceptable terms and conditions. The annual rent for the lease was originally, and currently, \$3,926.00 with adjustments made every five years to fair market value as determined by the appropriate State Agency beginning January 1, 2012 and subsequently adjusted January 1, 2017, January 1, 2022, and January 1, 2027.

The Federal grazing fee for 2017 will be \$1.87 per animal unit month for public lands administered by the Bureau of Land Management (BLM) and \$1.87 per head month for lands managed by the U.S. Forest Service. There is an estimated 5,000 – 6,000 head of cattle on the Umnak property. The BLM grazing fee could be considered while determining the fair market value for the lease. However, it should also be considered that Alaska Natural Meats has not had a significant profit due to the difficulty in exporting from Umnak Island. It also benefits ARLF to have its asset occupied, especially in a location as remote as Umnak Island. Therefore, charging \$1 per animal unit per year may be approaching a fair market value while not having a significant negative impact to Alaska Natural Meats, Inc.

Annual Lease Payment Effective January 1, 2017: _____

BAC Chair