DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, ALASKA
ANCHORAGE FIELD OFFICE CEPOA-RD-SA
1600 A STREET SUITE 110
ANCHORAGE, ALASKA 99501-5146

REPLY TO
ATTENTION OF:

JUL 15 2010

Regulatory Division
POA-2003-502-N

Mr. Phil Shepard
Mr David Mitchell
Great Land Trust
619 E. Ship Creek Ave., Suite 321
Anchorage, Alaska 99501

Dear Messrs. Mitchell and Shepard,

We are pleased to inform you that the Knik River Estuary Conservation Project proposal has been selected to receive funding from the Port of Anchorage Mitigation Fund. The purpose of the project would be to offset functional losses of estuarine and intertidal habitat associated with POA-2003-502, Ship Creek, Port of Anchorage Expansion, through preservation of similar habitat within a Conservation Easement (CE), to support salmon populations in accordance with conditions established by the Memorandum of Agreement between the U.S. Army Corps of Engineers and the Municipality of Anchorage. Your project is being conducted in partnership with Eklutna, Inc., and submitted through the Mat-Su Salmon Partnership.

After review of the January 14, 2010, proposal from The Great Land Trust (GLT), as well as the February 12, 2010, letter of recommendation from the Port Mitigation Advisory Committee (PMAC), the Corps concurs with the PMAC that up to $1.3 million dollars from the mitigation fund is available in support of your proposed project for the purchase of approximately 2,000 acres of estuarine and intertidal land at the mouth of the Knik and Matanuska Rivers.

Project progress was updated at a status meeting at your office held on June 8, 2010. Our current understanding is that although some of the details of the project as originally proposed have changed, that steady progress is being made on achievement of monthly milestones (see Enclosure 1). Changes that have occurred reflect the results of the property appraisal and funding logistics. For example, the project was originally proposed as a 5,000 acre CE. In May 2010, property appraisal was completed on a block of approximately 30 parcels (See Enclosure 2) and found to be valued at approximately $500 per acre. With this figure in hand, it was found that $1.3 million would support an approximately 2,000 acre CE, plus the supporting due diligence work. The project was therefore adapted to meet funding availability. GLT is pursuing the option of negotiations for the remaining 3000 acre balance of the original project proposal through application and receipt of other funding sources such as National Oceanic and Atmospheric Administration and the U.S. Fish and Wildlife Service in 2011. Thus, the 2,000 acre proposed CE will be able to function as a standalone project with or without successful acquisition of the additional 3000 acres.

Milestones that have been achieved since January include:

- May 2010 Appraisal of properties

- May 2010 Eklutna, Inc. provided formal approval to pursue the Conservation Easement.

As the project has changed somewhat, the Corps requests the following information:

- By September 15, 2010, please resubmit the project statement of work, so that it reflects the revised project. It does not need to be re-written, but should reflect such items as an accurate number of acres anticipated to be purchased, revised timeline, description of Phase I and II.

As wetlands baseline information is developed, please include the following information:

- Identification of wetland habitat types within parcel area.

- Functional assessment of the parcel area

- Rationale identifying parcels with habitat most beneficial to salmon and beluga whales, and/ or direct, or indirect support of the food chain of salmon and/or belugas.

- A preliminary level evaluation of the parcel(s) using the Anchorage Debit Credit Method (ADCM). This is necessary to provide credit analysis of wetlands to be acquired. Note: We realize that the parcel(s) are located in Mat-Su Borough (Mat-Su) and that the ADCM is not used in the Mat-Su. However, the ADCM is the accounting system routinely used in Anchorage to assess impacts to wetlands from projects authorized under DA permits. It was used on the Port of Anchorage (POA) project, and, it provides consistency with the conditions of that permit. From an ecological perspective, the Knik River estuary and the POA are both viewed as being part of the same ecosystem as the POA site, specifically, the upper Cook Inlet coastal ecosystem, as defined by use by salmon and beluga populations. Areas within the coastal ecosystems of the Mat-Su Borough and the POA are viewed as being a part of the same ecosystem for the purpose of credit calculation for this project.

Additional details:

- Between now and finalization of the CE, GLT must provide a <u>brief</u> monthly report of project progress with respect to the project. E-mail communication is acceptable.

- GLT timeline estimates closing on the CE during fall/winter of 2011. The money for purchase must be utilized by December 31, 2011.

- The CE must be submitted for review by the PMAC before finalization.

In summary, we believe this project provides a strong contribution to the portfolio of projects to be accomplished with POA mitigation funds and look forward to continue working with you on it. If you have questions or wish to discuss this matter further, please contact Ms. Leslie Tose of my staff at leslie.w.tose@usace.army.mil, by mail at the address above, or by phone at 753-5515.

Sincerely,

Steve Meyers
South Branch Chief

Enclosure 1:
Knik River Estuary Conservation Project

Duration/Milestones/Timeline

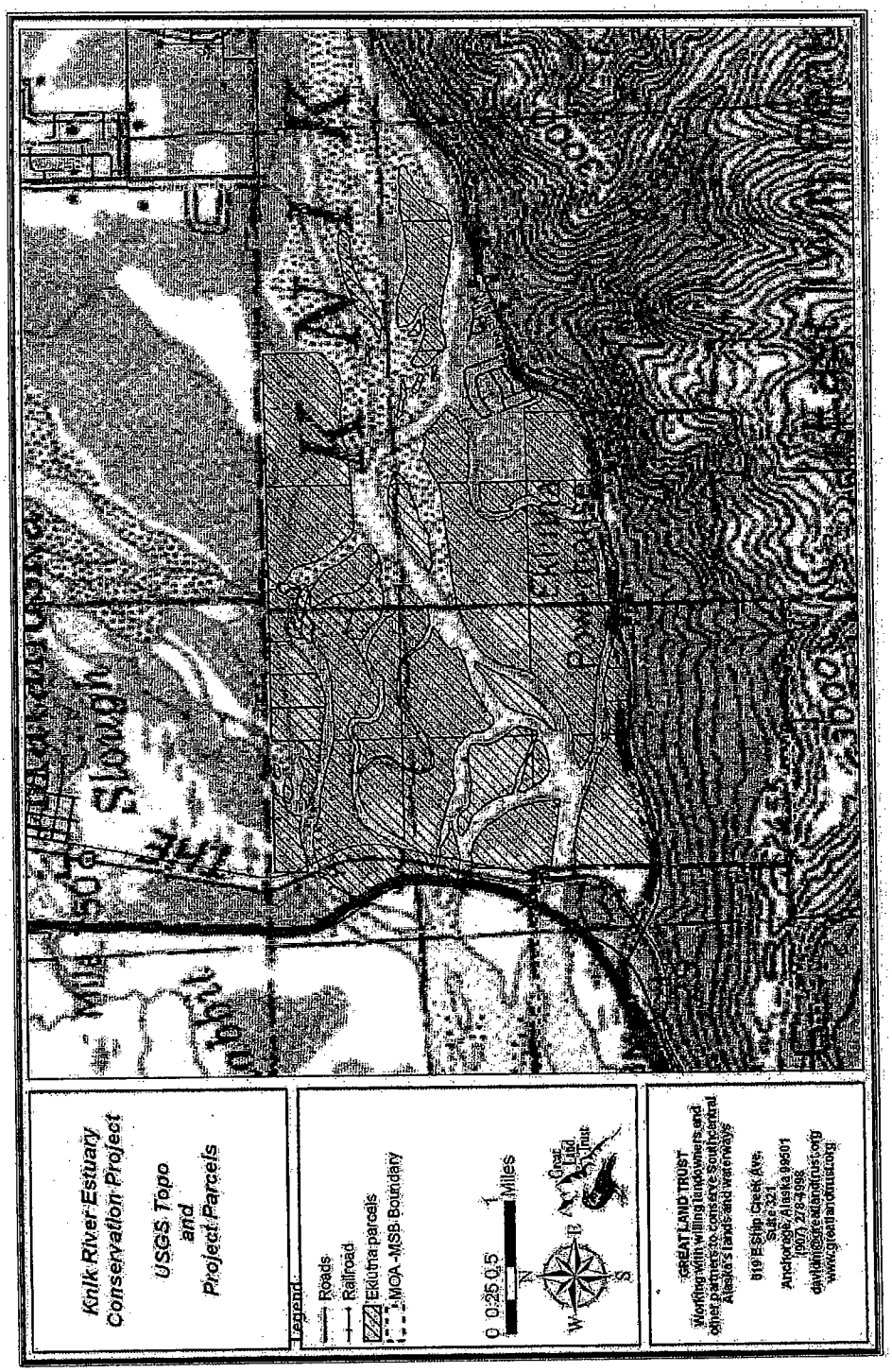
Summer-Fall 2009
- Identify priority parcels for salmon habitat conservation in the Mat-Su

Winter, Spring 2009-2010
- Meet with Eklutna Board of Directors
- Meet with NVE Tribal Council
- Submit application for POA funding
- Submit application for NOAA CELCP funding
- Submit application for USFWS NCWCG funding
- Order appraisal, title report, and phase I

Summer 2010
- Receive appraisal
- Receive NOAA CELCP and FWS NCWCG funding awards

Fall- Winter 2010
- Negotiate purchase area and option to purchase conservation easement
- Draft Spring 2011 Conservation Easement
- Secure all funds

Summer 2011
- Complete Baseline Document

Fall-Winter 2011
- Close on Conservation Easement

Enclosure 2: Properties under consideration for Knik River Conservation Project