

SETTLING ALASKA NATIVE CLAIMS



“...Like all successful compromises, this one can be measured by the fact that every competing interest is slightly dissatisfied with the result, yet still recognizes the integrity of the agreement.”

– Rep. Nick Begich, (D) Alaska, Congressional Record, December 13, 1971



A century after the U.S. government had ended the practice of making treaties with Native American tribes, in 1971 Congress passed the Alaska Native Claims Settlement Act (ANCSA). Having never come to an agreement or signed a treaty with the Native people of Alaska, the U.S. government had left unresolved “aboriginal claims” to Alaska lands and waters, as well as to hunting and fishing rights. ANCSA was the answer to the question of who owned what in Alaska.*

* See Endnote: “Alaska Natives and the Laws of the United States”

The Alaska Native claims bill was introduced during the 90th Congress in 1967. As is often the case with congressional matters, action was deferred until the situation became critical.

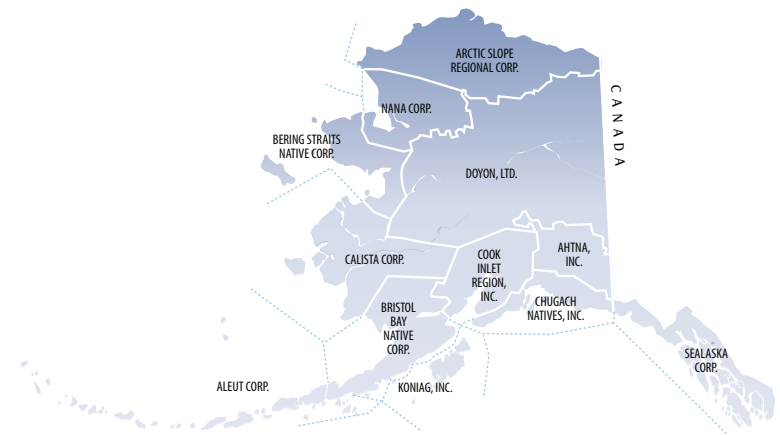
“Athabascan Indians living in five interior Alaska villages filed a lawsuit... that requested the court to prohibit former Alaska governor Walter J. Hickel, who had succeeded [Stewart] Udall as secretary of the interior, from issuing a right-of-way permit [for the trans-Alaska oil pipeline] across land colored by Indian claims...”

– Don Mitchell, historian

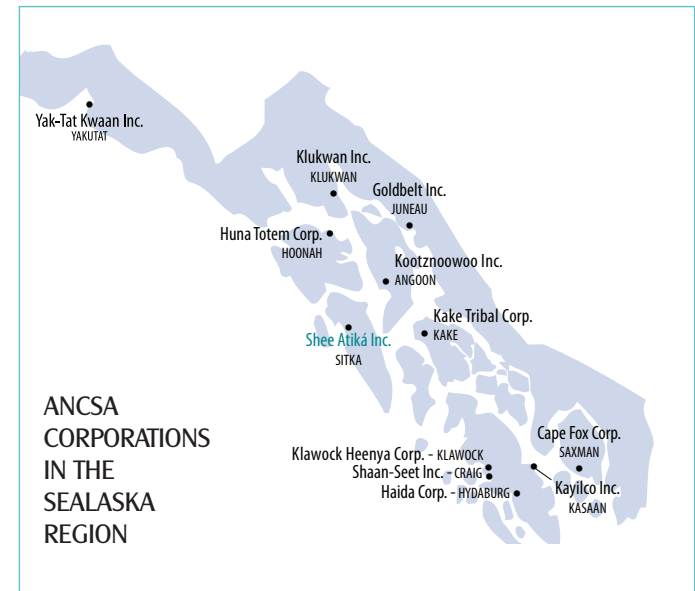
On April 1, 1970, Judge George Hart (U.S. District Court, District of Columbia) issued an injunction, which stopped the development of a pipeline that was to carry North Slope oil across Alaska’s interior. The oil industry quickly lined up behind a comprehensive settlement of Alaska Native claims. When the 92nd Congress convened early in 1971, both houses began working on separate bills that included lists of Alaska Native villages, over 200 in all. Neither Sitka nor any other urban Native community was included in either bill.**

** See Endnote: “The Alaska Native Claims Settlement Act”

When pressure was brought to expand the bills to include Native communities within urban areas, an alarmed Alaska Governor William Egan submitted testimony to Congress in April 1971, arguing that the term “Native villages” should not be applied to such towns, cities, or villages that were not “...at the present state of historical development, primarily Native in character.”



REGIONAL NATIVE CORPORATIONS



ANCSA CORPORATIONS IN THE SEALASKA REGION

Photo courtesy of Sealaska Corporation



John Borbridge Jr.

“I remember one time when it looked like we wouldn’t get the [ANCSA] legislation, and John [Borbridge] spoke without notes for 40 minutes, an amazing delivery, better than many constitutional lawyers I’ve seen. He had a lot of impact, especially with the Republicans because he spoke to legalities, to the constitutional issues. His argument was well reasoned, there was no banging on the table.”

– Bill Van Ness, former counsel
to the U.S. Senate Interior Committee

“It is difficult to assess the precise effect of conveying all the vacant land in and around such city to a corporation controlled by a racially defined minority within it, but it may have the effect of dividing the city more than it unites it..”

– Gov. William Egan

Had Egan prevailed, Alaska Natives whose villages had been subsumed by White communities—as in Juneau and Sitka—would have been disenfranchised from the settlement. As it turned out, the Natives who lived in urban communities such as Haines and Ketchikan, which had not been Native villages, lost out and are now referred to as “landless” Natives.

John Borbridge Jr., who served as principal lobbyist for the Natives of Southeast, recalls the 91st Congress in 1970, when he and others made what he describes as the first “initial, successful push” to include urban Alaska Natives in the legislation.

“In 1970, we had a provision for urban Natives, but it dropped through the cracks until I restored it in ‘71. I went to see [Sen.] Ted Stevens. It was the perfect lobbying situation. He had a million and one things to remember, so I reminded him, ‘Sen. Stevens, you were squarely in our corner last year, and here is a copy of the language we propose,’ which was basically the same as he had proposed the year before, so he was instantly with us.”

– John Borbridge Jr.

As late as November 1, 1971, Senate Bill 35 included provisions for a statewide “Alaska Native Urban Corporation” and an “Alaska Native National Corporation.” There was no mention of these corporations in the House version.

The proposed statewide urban corporation would include all Alaska Natives who were Alaska residents but not living in Native villages. Similarly, non-resident Alaska Natives would be enrolled in the national corporation (a version of this later became the 13th Regional Corporation). Because the House bill did not provide for urban or national corporations in any form, these two corporations joined the many other issues to be resolved in conference committee.

As Bill Van Ness, a key member of Washington Sen. Henry “Scoop” Jackson’s staff, remembers it, the provision for the four urban corporations emerged at the last minute. “It wasn’t in either the House or the Senate version of the bills that went to the conference committee.”

Van Ness recalls that when the bill came out of conference committee, it did not include the statewide urban corporation and instead provided for four urban corporations, with selection rights to 23,040 acres each for Native communities in Sitka, Juneau, Kenai, and Kodiak.

Sen. Stevens explained to Congress on December 14, 1971, why the four urban Native communities were added to the bill.

“These lands are made available [to the urban corporations] pursuant to a decision that these are historic villages that existed before a white man got to Alaska. [This section] does not apply to any other area of the state.”

– Sen. Ted Stevens

Four days later, President Richard Nixon signed the Alaska Native Claims Settlement Act.

Since that day, December 18, 1971, ANCSA’s peculiarities have kept legions of lawyers and lobbyists well-employed. Oddities include revenue-sharing provisions, land reconveyances to municipalities, and split estates (village and urban corporations owning the surface estate while the regionals own the subsurface estate). Most damaging for the urban corporations was a provision that excluded them from receiving payments from the Alaska Native Fund, established to distribute the nearly \$1 billion cash settlement.*

As Borbridge explains, Congress does what Congress wants.

“That is the way Congress wanted it. Who knows why? I can only conjecture that our efforts to obtain funding were lost amidst the many complex ANCSA issues and congressional compromising within the conference committee.”

– John Borbridge Jr.

“While initially we sought more than four urban corporations, by 1971 we knew that Congress would support only four communities, so we focused on four. The urban corporation provision was almost lost in the final hours. Lobbying is always a balance between what is sought and what Congress will grant.”

– John Borbridge Jr.

Photo courtesy of John Borbridge Jr.



The effort to settle Alaska Native claims began to gather momentum in 1968, the year that the State of Alaska sold a billion dollars worth of leases to North Slope oil fields. Meeting informally during a 1968 hearing of the Senate Interior and Insular Affairs Committee in Washington, D.C., are, from left, Laura Bergt, Alaska Sen. Ernest Gruening, Washington Sen. Henry “Scoop” Jackson (chair of the Senate Interior and Insular Affairs Committee), John Borbridge Jr., North Dakota Sen. Quentin Burdick, Wyoming Sen. Cliff Hansen and, representing the Alaska Federation of Natives (along with Borbridge and Bergt), Willie Hensley, Don Wright, Emil Notti, and Flore Lekanof.

* See Endnote: “Alaska Native Fund”

GETTING ORGANIZED



“When [ANCSA] was signed, a group of our people got together at the Sitka Centennial Building and decided we should get ready for the problems and the issues we were going to face with the land claims bill. At the time we called ourselves the Sitka Native Association.”

– Ethel Staton, a founding director of Shee Atiká



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hile Native organizers struggled to understand the complexities of ANCSA, the U.S. Bureau of Indian Affairs began to find and enroll those who qualified as Alaska Native under terms of the Act. Early in 1972, the Bureau assigned John Hope to head the project. Born and raised in Sitka — son of Andrew J. Hope — John Hope remembered the worldwide effort to enroll every eligible Alaska Native.

“Our people were scattered all over. We contacted different states to see if they had Alaska Natives... We went to great lengths to create an inclusive roll. We received 88,000 applications.”

– John Hope

Robert “Buck” Carroll, one of the incorporators and first directors of Shee Atiká, and his wife Darlene both worked for the BIA as enrollers. Buck remembers it as a time of endless days.

“My wife and I got 1,800 people enrolled [here in Sitka]. We worked seven days a week, 16 hours a day—had aspirin, Alka Seltzer, Tums all over the office—when you couldn’t read anymore, you’d take a walk. It wasn’t a good time at all.”

– Robert “Buck” Carroll, a founding director

According to both Carroll and Hope, the process was as fair as it could have been under the circumstances. Every person who signed the enrollment papers had to declare a community of permanent residence.

“Column 16 asked where the applicant wished to enroll. If you weren’t presently living [in the community], you had to have been living there within a period of time. There had to be some connection to where you signed up.”

– John Hope

Some names of those enrolled at Sitka were challenged; others were added during the period of open enrollment. When this enrollment period came to an end, 1,850 people had entered the rolls as eligible shareholders of Sitka’s as yet unorganized ANCSA corporation.*

* See Endnote:
“ANCSA
Enrollment”

Photo courtesy of the Hope Family



“We even went so far as to enroll people born at the Alaska Native Hospital [in Sitka]—we knew they were eligible.”

–John Hope, head of the BIA enrollment program.



Ethel Staton and Robert “Buck” Carroll were instrumental in the process of enrolling over 1,850 people with Shee Atiká.

“We posted the enrollment at the ANB hall and invited families down there to make sure we didn’t leave anyone out.”

– Ethel Staton, a founding director

“You had a choice of where to enroll. Like me, I was living in Juneau, but I chose Sitka, my hometown. My wife’s from Hoonah, but she picked Juneau. My brother Percy, he opted to enroll in Juneau. There was no way for somebody else to choose your corporation. You had to make the choice.”

– John Hope

Parents were responsible for enrolling children younger than 21. Children were enrolled in the same community as the head of household.

The nonprofit Sitka Native Association, organized soon after the passage of ANCSA, quickly found itself to be unsuited to the opportunities presented by the new law. The misstep by the original organizers was attributable to the last-minute alterations to ANCSA that provided for the creation of four urban corporations instead of a single statewide nonprofit urban corporation.

“Sitka’s problem was that they had no source of funding. By creating a nonprofit, they thought it would be easier to get grants.”

– Mike Everson, Shee Atiká’s first executive director

While the enrollment process proceeded, the original founders of what would become Shee Atiká set out to educate themselves. They invited William Paul Sr., a renowned Native leader, to conduct a course on corporations at Sheldon Jackson College.

“William Paul really tried to help. He held a crash course at Sheldon Jackson. First we incorporated as a nonprofit, but then we had to go back and change that. We were looking at all the options because we had no money.”

– Buck Carroll

“I couldn’t help but feel William Paul was a man ahead of his time. He had insight to what the future held—he could see there would be infighting among families.”

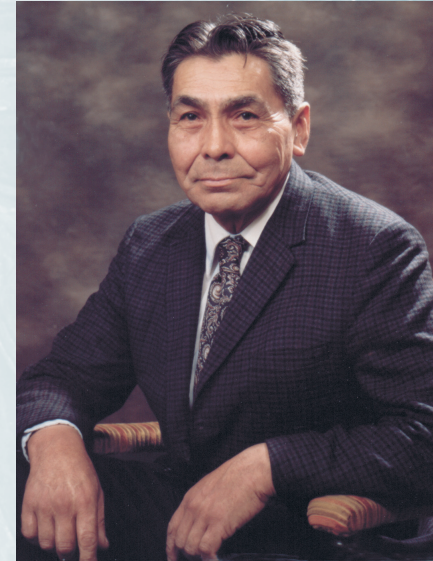
– Nelson Frank, a founding director and first chairman of the board

Still a passionate advocate for Native rights at 87 years old, Paul proved to be a fount of wisdom and expertise; few people were more qualified to provide an introduction to the Alaska Native Claims Settlement Act.

“William Paul said, ‘Ethel, if you don’t incorporate you will not get your land.’ I said, ‘Mr. Paul, what can we do; we don’t have any money; how are we going to overcome this?’ He said, ‘I’ll tell you what. I will incorporate you, do the paperwork, if you pay the filing fee.’ So I wrote a personal check and Shee Atiká was incorporated on April 1, 1974.”

- Ethel Staton

It would not be the last time a director would have to loan Shee Atiká money to meet basic expenses.



The late Herman Kitka, a founding director of Shee Atiká, served on the Board from 1974 to 1986.

*“Herman Kitka actually named the corporation. That’s the old Tlingit name, pronunciation and spelling for Sitka — ‘Sheetka.’” **

- Buck Carroll

* See Endnote: “Naming Shee Atiká”

PLANNING FOR PROSPERITY



“We held our annual meetings — we were required by law to hold one meeting per year — but it cost money to do that. The directors, with their wives and husbands, would come down to the office and stuff and stamp envelopes to get the mail out to over 1,850 shareholders.”

— Ethel Staton, a founding director of Shee Atiká



The first Shee Atiká employee was Mike Everson. The Juneau Native corporation, Goldbelt Inc., hired him as well. Immediately following the first annual meetings, Everson recalls, both Goldbelt and Shee Atiká began considering which large sections of land they wanted to “nominate” (in the jargon of ANCSA). How the corporations in Southeast Alaska were going to make money was no mystery in a region rich in timber.

Shee Atiká’s directors first looked for land near Sitka, making an initial selection of a 3,000-acre parcel at Katlian Bay, several miles beyond the end of Halibut Point Road.*

* See Endnote:
“Katlian Bay”

“Even though the Katlian land was clearcut, there were plans at the time to extend the road north. With road access, the land would increase in value. As it turned out, the road has yet to be extended.”

– Buck Carroll, a founding director of Shee Atiká

Given the ill-defined right to select 23,040 acres “in reasonable proximity to the municipalities,” the urban corporations sought clarification. Early in 1974, the U.S. Secretary of the Interior issued a regulation declaring that, for urban corporations, reasonable proximity meant within 50 miles of their communities. Such a radius brought Admiralty Island within the orbit of both Goldbelt and Shee Atiká.**

** See Endnote:
“Land Selection”

The process of nomination, withdrawal, and then the final selection of 23,040 acres was explained in testimony at a Bureau of Land Management (BLM) hearing by John Borbridge Jr., the first president of Sealaska.

“The corporation located in Sitka is entitled to nominate approximately four times its entitlement, from which the Secretary of Interior will then withdraw up to 46,080 acres. The corporation will then identify one half of the area withdrawn for its selection.”

– John Borbridge Jr., president of Sealaska

While the people of Sitka were organizing Shee Atiká, the people of Angoon, located on Admiralty Island, incorporated Kootznoowoo Inc.



Murlin “Mike” Everson

“Goldbelt and Shee Atiká had very little money, not really enough to hire anyone. Both had a lot of similarities. It was decided I’d work half time for each corporation. The goal was to set up annual meetings. We held Goldbelt’s annual meeting first, in Juneau, then a week later, we held Shee Atiká’s in Sitka. Both meetings were successful.”

– Mike Everson



Gathered in Sen. Ted Stevens' office in the mid-1970s to discuss the respective land nominations of Goldbelt Inc. and Shee Atiká Inc. are, from left to right, Robert Loescher, Mike Everson, Joe Wilson, John Eldemar, Sen. Stevens (kneeling), Buck Carroll, Ethel Staton, attorney Jim Peterson, and Herman Kitka.

*“Admiralty was basically the only area within the 50-mile radius not encumbered by the 50-year sale. * We thought it was such a good fit to have all three corporations in a contiguous block. My impression was that the directors of Kootznoowoo were interested. We started this in January 1975. By April, they were against us.”*

– Warren Weathers, first executive director of Shee Atiká Inc.

* See Endnote: “The 50-Year Sale.”

in November 1973. Angoon’s new ANCSA corporation nominated an area that stretched along 15 miles of Chatham Strait coastline and inland about eight miles, encompassing all the land, bays, and inlets in the vicinity of the Admiralty Island village.

In a report to the Kootznoowoo Board of Directors, the corporation’s executive director, Max Nichols, explained that the selection area included as much shoreline as possible to optimize real estate values and provide access to inland timber and other resources.

“Timber is a renewable resource, and can be harvested perpetually under a sustained yield plan. An educated guess would put the yearly revenue at about \$400,000 with the price steadily rising.”

–Max Nichols, executive director, Kootznoowoo Inc.

Not surprisingly, neighboring ANCSA corporations assumed Kootznoowoo was planning to develop its timber resources.

Meanwhile, the new Shee Atiká board was encountering difficulties finding 23,040 contiguous acres with high timber values. They needed an expert.

“As chairman of Shee Atiká, I was representing the corporation at various meetings, and I became acquainted with Warren Weathers. He impressed me with the thoroughness of his knowledge, his commitment, and his interest in Native corporations. I told the board of directors I had found the guy we were looking for.”

– Nelson Frank, Shee Atiká’s first chairman, 1974 - 1981

In January of 1975, Goldbelt and Shee Atiká jointly hired Warren Weathers to consult on the land selection process.

Weathers would go on to become Shee Atiká’s first executive director. Although young, and only a few years out of college, he had just put in two years as chief forester for a group of forest products firms in Haines. Weathers represented the firms in numerous logging camps throughout Southeast. The experience he gained proved invaluable to Shee Atiká.

For Shee Atiká's selection, Weathers focused on Hood Bay, several miles south of Angoon on Admiralty Island.

Hearings were held in Juneau and Sitka in April 1975 to discuss the proposed Admiralty Island selections by Goldbelt, Shee Atiká, and Kootznoowoo.

"The Board of Directors of Shee Atiká Inc. made every effort to adhere to contiguous and compact tracts, for better management, and to nominate lands adjacent to other village corporations authorized to receive land in order to avail themselves of joint-venture opportunity."

- Nelson Frank

"We'd like to see our neighbors come in, but we're not going to [invite them in] just because they are our people... This is a once-in-a-lifetime decision. This is why we're not going to commit ourselves in any way until it satisfies our feelings."

- Daniel Johnson Sr., president of Kootznoowoo Inc.

Goldbelt's initial nominations did not include land near Angoon until it requested and received a waiver from the Secretary of Interior to extend its selection rights beyond 50 miles. Goldbelt then nominated an area overlapping both Shee Atiká's and Kootznoowoo's nominations.

"When we first selected at Hood Bay, the people of Angoon were overjoyed, but when Goldbelt selected next to us, now there was someone else to contend with. That's when all our problems began."

- Nelson Frank

Whatever support there was on the Kootznoowoo board for joint venture industrial-scale logging near Angoon melted in the face of defiant village elders who were alarmed at the thought of a modern timber industry displacing their way of life.

The battle over Admiralty Island—a conflict that would last more than a decade—had begun.

Photo courtesy of Ethel Statton



"I felt this job with Shee Atiká was a once-in-a-lifetime opportunity. We had to make sure we selected only the best land. The board was dedicated, felt the land conveyance was a birthright, and they weren't going to compromise."

- Warren Weathers

"The opposition began with the idea of almost 70,000 acres of land being selected near Angoon. Angoon would have opposed the idea regardless of the Sierra Club. The old-timers saw it as an incursion by urban Natives into 'bear country,' their name for the island."

- Mike Everson

MANEUVERING ON ADMIRALTY ISLAND



“We were chased out of every area we tried to select. The only land that seemed to be available to us was mountaintops and muskeg.”

- Shee Atiká director Robert “Buck” Carroll



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he problem with the selection of land at Hood Bay on Admiralty Island was that the timber was so valuable. Although pressured from the beginning to find other lands off Admiralty, the Shee Atiká board could fulfill its fiduciary duty to the corporation only if land could be found of equivalent or greater value. This was a principle the directors were willing to fight to uphold.*

* See Endnote: "Chaik Bay"

"At first, the U.S. Forest Service favored our Admiralty selections, but the Ford Administration got cold feet, and then [President Jimmy] Carter tried to move us off the island."

- Warren Weathers, Shee Atiká executive director, 1975 - 1982

** See Endnote: "The Alaska Lands Battle"

The Alaska Lands Battle, also known as D-2,** coincided with the Carter presidency (1976 - 1980). The resulting conflict pitted environmentalists against developers, with Native corporations lined up on either side, depending on their interests.

In 1980, federal officials representing the U.S. Department of Justice and the U.S. Forest Service offered Shee Atiká 27,000 acres near Hobart Bay, on the mainland 70 miles south of Juneau, in return for abandoning the Admiralty Island selections.

"We were willing to be convinced of comparable value. The federal officials put a meeting together in Washington, D.C. They had their timber surveys, topographical maps, charts of timber prices, and so on. Then Warren [Weathers] and Wes [Rickard—Shee Atiká's timber appraiser] got up and went to work on the proposal. First they showed how many salmon streams would require setbacks, then the roads that would be necessary. They showed why rafting would be difficult. They had timber types from cruise data, aerial surveys by which to extrapolate value. I tell you, when they finished, there was no way you could say the exchange would be comparable. It was a beautiful show by a couple of professionals. Best thing that ever happened to us."

- Richard Baenen, Shee Atiká lobbyist

SOUTHEAST ALASKA



Shee Atiká and Goldbelt, the two Southeast urban corporations, could select lands within "reasonable proximity" of their cities, which the Secretary of Interior defined as a 50-mile radius.



Shee Atiká board members Nelson Frank, Buck Carroll, and Bill Aragon hold up a map of the corporation's land selections at Hood Bay.

AREAS CONSIDERED FOR SELECTION

WEST CHICHAGOF	Slated for wilderness area designation, poor quality timber
SOUTH BARANOF	Inferior timber, difficult terrain
HOONAH SOUND	Less than 4,000 contiguous acres of good timber
KALININ BAY	Less than 1,500 contiguous acres of good timber
EAST CHICHAGOF	50-year pulp contract area
NORTH KUIU	50-year pulp contract area, much of which had been logged
CHAIK BAY	Excluded by the Secretary of the Interior at request of environmentalists
HOOD BAY	Initial selection by Shee Atiká; vacated in favor of Cube Cove
HOBART BAY	Inferior timber, difficult terrain, and environmental constraints

“We were through moving. Once we moved out of Hood Bay to Cube Cove, we said That’s it! We’re not moving any more.”

–Ethel Staton

“It was quite a process we went through. Our decision to move out of the areas we first looked at was to avoid litigation.”

– Buck Carroll, a founding director

With no friends in the Carter administration and not enough support in Congress, the corporation agreed to vacate its land nominations at Hood Bay. In its place, Shee Atiká chose Cube Cove, 30 miles north of Angoon, which had previously been nominated by Goldbelt. One result of the switch was that Shee Atiká gained an additional 3,000 acres of land.

“We needed the additional acreage because there was a higher proportion of hemlock at Cube Cove—some of the best hemlock you could hope for, but less valuable than spruce. And there was a higher percentage of spruce at Hood Bay.”

– Warren Weathers

“We started our push to get what had been Goldbelt’s selection at Cube Cove: it was far away from Angoon, wouldn’t upset anyone’s subsistence activities, and was already laid out with all the legal descriptions. We focused on the land.”

– Richard Baenen

Shee Atiká already had chosen 3,000 acres of cut-over land at Katlian Bay near Sitka, its first selection. The simple resolution to the timber-value issue was to allow Shee Atiká the entire selection at Cube Cove in addition to Katlian.

SHEE ATIKÁ’S TOTAL LAND CONVEYANCES

Cube Cove, Admiralty Island	22,890.27 acres
Katlían Bay, Baranof Island	3,148.16 acres
Alice & Charcoal Islands	33 acres*
Total	26,071.43 acres

* In 2001, the State of Alaska condemned 14.85 acres of Shee Atiká’s land on Charcoal Island for an airport expansion project, leaving the company with a combined total of 18.15 acres on the two islands.

While Shee Atiká could have pursued an uncertain “administrative exchange” to acquire the Cube Cove timberlands, the board favored a more certain strategy of getting congressional validation of the replacement selection. The vehicle available was the Alaska National Interest Lands Conservation Act, a train that was picking up steam and about to leave the station.

“I was having trouble getting anyone on [Sen. Henry] ‘Scoop’ Jackson’s staff to listen to me. I went to a mutual friend, Bill Van Ness, who once worked for Sen. Jackson. He went to Jackson and asked him to validate Shee Atiká’s Cube Cove selection by adding a section in ANILCA. If anything, Jackson favored making most of Admiralty a wilderness area. Van Ness told Scoop that, if nothing else, it would be a good chit to trade in conference committee. What would have happened in conference, I have no idea. We got in by a 3-to-2 vote in Jackson’s committee. The Senate never revisited this; they had a jillion other issues to deal with.”

– Richard Baenen

In the November 1980 national election, the Republican Party won control of the U.S. Senate and Ronald Reagan was elected president. During the two-month “lame duck” period that followed, the House Democrats accepted the Senate version of the Act, negating the need for a conference committee. President Carter signed ANILCA (ah-NILL-cah) on December 2, 1980. It was one of the last bills enacted during his administration. In the end, Shee Atiká’s ANILCA amendment confirming the corporation’s selection of timberlands at Cube Cove never became a “chit” to be traded by Sen. Jackson in conference committee.

Congressional confirmation of Shee Atiká’s Cube Cove selection represented a major victory for the corporation, but it turned out to be just the first battle in a protracted conflict.

“...we will continue fighting until the battle to save Admiralty has been won.”

– Dr. Edgar Wayburn, chairman of the Sierra Club’s Alaska Task Force

Photo courtesy of Ethel Staton



On December 9, 1981, in Washington, D.C., Ethel Staton, chairman of the Shee Atiká board, and vice chairman Herman Kitka met with Interior Secretary James G. Watt during the ceremony at which he signed the interim conveyance for timberland at Cube Cove on Admiralty Island.

“Her voice quivering with emotion, Staton said, ‘We accept this with glowing pride. If my people could show their appreciation... the Aurora Borealis of Alaska would outshine the lights of Washington, D.C.’ ”

–Anchorage Times, December 10, 1981

“It is time they finally realized that the Tlingit Indians of Sitka and Admiralty Island are all one people.”

–Herman Kitka, in remarks during the land conveyance ceremony.

BUILDING THE HOTEL



“It was strange. When we first started up, we got so much flak! Shareholders didn’t understand how little money the corporation had. If it wasn’t for people like [founding director] Herman Kitka, who gave us a loan, we would have had no money at all.”

– Bill Aragon, Shee Atiká Director 1978 - 84



During the late 1970s, while corporate officers struggled with land-selection issues, shareholder frustrations were mounting. Expectations failed to mesh with the reality of Shee Atiká's status as an ANCSA corporation without funds.

All ANCSA corporations, other than the four urban corporations, received regular payments from the Alaska Native Fund. But until Shee Atiká received conveyance of the lands it selected, and until the lands were developed and producing timber, there was simply no way for the corporation to generate revenues. The only source of funds during these early years was borrowed money.*

One of the most selfless acts of any director is attributed to one of Shee Atiká's founders, Herman Kitka.

"Well, when we couldn't raise any funds to keep the corporation going, I loaned them \$50,000 and then when that ran out I loaned them another \$40,000.... They paid me all back. I was the only one with money at that time; I was a general contractor my whole life."

- Herman Kitka, founding director, 1974 - 1986

As it became clear there would be no quick or simple resolution to the selection of land, Shee Atiká's directors began looking for other income producing alternatives. The absence of an upscale hotel in Sitka came to be viewed by the board as a business opportunity. Such a hotel could create a revenue source while demonstrating to the public, most especially shareholders, that Shee Atiká was a viable corporation.

Founding director Buck Carroll recalled that Shee Atiká's executive director, Warren Weathers, applied to the State of Alaska and received a grant to fund a study to determine the feasibility of building a quality hotel in Sitka.

"The expert hired to conduct the study, Warren put him up at what was Sitka's best hotel, and made sure he was given a room without a shower."

- Buck Carroll, founding director, 1974 - 1981

* See Endnote
"Debts through
1978"



Director Gil Truitt and chairman Nelson Frank during the groundbreaking ceremony for the Shee Atiká Lodge.



Construction of the Shee Atiká Lodge, 1978.

“I remember the time our BIA loan was approved. For a normal person, a working man like myself, looking at a check for \$800,000 it was like — wow! — that’s a lot of money. It was during the years when I was secretary; I signed all the checks, and when I signed these checks, million-dollar checks, it was kind of scary.”

– Buck Carroll

It probably wasn’t necessary to expose the consultant to the thin-walled, inadequate rooms of Sitka’s only downtown hotel, but when the feasibility report came out it was emphatic that there was a definite market for a high-quality hotel in Sitka.

With only a few assets for collateral, and no money, financing such a project was a challenge. Weathers knew people in Oregon who could help secure funding, among them a former aide to U.S. Sen. Mark Hatfield who managed a mortgage bank in Salem.

“They were good at packaging things; they knew what buttons to push. There was a new and relatively unused BIA loan guarantee program, and we may have been the second in the U.S. to get a loan through that particular program. The BIA guaranteed the note.”

– Warren Weathers, executive director, 1975 - 1982

The BIA guaranteed loan totaled \$6 million. Another million was acquired by bringing in limited partners. Before it was over, the hotel cost \$7.5 million to construct.*

While Shee Atiká staff and directors worked through the time-consuming financing details, a prominent Alaska hotel chain, Sheffield Enterprises, entered the picture. If it was not generally known that Sitka needed another hotel, the secret was out with the public release of the state-funded feasibility study. This was the pipeline era for Alaska, and Sheffield Enterprises was rapidly expanding its network of hotels throughout Alaska and the Yukon.

“Sheffield Enterprises had private money, and was able to break ground much quicker than we could. We already had a lot of money invested in our hotel project and it would have been difficult to give up; it would have been very hard on morale.”

– Warren Weathers

In 1979, the people of Sitka celebrated the addition of two full-service hotels—the Sheffield Hotel opening only months before the

* See Endnote:
“Hotel
Financing”

Shee Atiká Lodge. The two hotels' combined total of 187 rooms far exceeded demand.

The problem of a flooded hotel market was compounded by the selection of an Oregon management company, Village Green, which Shee Atiká hired at the request of the limited partners to run the new hotel.

"They were terrible! They tried to bring a New York atmosphere to Sitka. Maitre 'ds, bell hops, way too many employees."

- Bill Aragon, director, 1978 - 1981, who was appointed to head Shee Atiká Hotels Inc.

"They wanted to run an exclusive, luxury hotel — only the finest of everything... they wanted to decorate and then redecorate."

- Buck Carroll

Village Green was doing what it knew how to do, run an upscale hotel, but with an economy based on timber and fisheries, Sitka was not an upscale market.

"As naive as we were, we should have looked at their figures more closely. They'd predict a 10 percent increase in business, and we'd approve the hiring of 10 percent more employees. They already had over 100 people working there. After one and a half years, the board authorized me to fire the company. We then hired Vance Hotels to manage the hotel."

- Bill Aragon

Succeeding Village Green, the new management company, Vance Hotels, cut losses by two-thirds, but the hotel continued to lose money in Sitka's saturated hotel market. The downward spiral of Sitka's timber-dependent economy, which mirrored the broader forest products industry, further weakened the demand for hotel rooms. Timber prices, which had peaked in the late 1970s, had begun a precipitous slide in 1982. The industry would remain depressed for another five years.

Eventually, Shee Atiká bought out its limited partners, acquired the Sheffield property, renamed it Totem Square Inn, and stemmed the losses. By the early 1990s, the combined hotel properties had become income producers for the corporation.*

* See Endnote:
"Buying Out the
Partners"



Photo by Peter Metcalfe

Through most of the 1990s, the offices of Shee Atiká Incorporated were located on the second floor of Totem Square Inn.

LITIGATING OVER LOGGING



“When you get large tracts of timber, where you own the whole thing, you’re dealing with a worldwide market. Forest Service sales were of interest only to people in Southeast. Now, if you take a large tract of timber that can be cut over a long period of time, and offer all the timber for sale, you’d attract a whole different class of buyers. You appraise for the market that would buy.”

– Wesley Rickard, timber consultant



In 1981, at about the time Shee Atiká received conveyance of the Cube Cove land, executive director Warren Weathers hired timber consultant Wesley Rickard to conduct an appraisal so the corporation could use its timber to collateralize loans. Rickard used an analytical method that placed a high premium on a large tract of timber, such as the nearly 23,000 acres at Cube Cove, as opposed to the smaller timber sales offered by the U.S. Forest Service.*

The Rickard appraisal set a value of \$176.7 million for Shee Atiká's timber and commercial forestland at the time of conveyance. This was the "basis value" of the corporation's timber assets, a distinction that would have enormous consequences much later when the term *net operating losses* acquired special significance for ANCSA corporations.

"Of course, prices are very cyclical in timber. 1979-80 was about the peak for timber prices in Southeast, and then they went down and stayed down longer than anyone thought they would. About the mid-'80s some people were wondering if timber prices would ever recover, but they did about 1987."

- Wesley Rickard, timber consultant

After seven years with the corporation, Weathers resigned in early 1982 and returned to graduate school.

Several months after Weathers left, the board hired Roger Snippen, an Oregon forest engineer and timber broker with a reputation for out-maneuvering environmentalists. But Snippen's first concern was not the challenges posed by environmentalists but rather securing a reliable source of financing to start up logging operations.

At the time Snippen was hired, Shee Atiká's debt to Sealaska totalled more than \$3 million, with interest accruing at a rate of 18 percent. Sealaska's terms were onerous, severely limiting Shee Atiká's ability to make logging decisions without the regional corporation's prior approval.**



Photo by Peter Metcalfe

"During the interview process, I was aware [Shee Atiká] had a line of credit with Sealaska, so I anticipated that by keeping a very skeletal operation, with the remaining amounts in the line of credit, we could probably make it for at least six months."

- Roger Snippen, Shee Atiká President/CEO, 1981-1987

* See Endnote:
"Timber
Appraisal"

** See Endnote:
"Sealaska's Line
of Credit"



An incident in 1982 in which a person in England died of botulism poisoning after eating a can of Alaska salmon caused sales of canned salmon to plummet and almost ruined Sealaska's giant subsidiary, Ocean Beauty. The cash demands from Ocean Beauty forced Sealaska to cut off lines of credit to the village and urban corporations of Southeast, creating a cash flow crisis for Shee Atiká.

"I put together a loan package and was in Seattle shopping for money when [board chair] Ethel Staton called and said Sealaska had denied the draws; they would not honor the loan any more. We were instantly broke. I had to use my credit cards to get back to Sitka."

- Roger Snippen

Sealaska was reeling from its own cash flow crisis, the result of a huge revenue shortfall at its wholly owned subsidiary, Ocean Beauty, a major seafood processor, that pushed the regional Native corporation to the brink of bankruptcy. The suspension of draws made Shee Atiká's situation desperate, but Snippen was confident he had found a lifeline—while in Seattle, he had connected with serious money.

"We hooked up with Travelers Insurance. They became very interested. We were asking for a loan package of \$20 million to get started. To put the loan together, we needed an abstract of title (to the timberlands). So I ordered a title report, and a notice of lis pendens shows up on that abstract"

- Roger Snippen

"A lis pendens just puts people on notice that the land is subject to a lawsuit. With that filed, Shee Atiká couldn't get any money, so the corporation continued to be broke during this period."

- Richard Baenen, Shee Atiká lobbyist

Shee Atiká was actually faced with multiple legal actions, but the principal lawsuit was *Sierra Club v. Watt*, which challenged the conveyance of the Cube Cove selection.*

The loan negotiations with Travelers Insurance collapsed. None of this stopped Snippen and the board. In the middle of November 1982, Shee Atiká director Herman Kitka piloted his fishing boat, the *Martha K*, from Sitka to Cube Cove, where he dropped anchor. The boat provided housing for the small logging crew that would clear 25 acres for a log transfer facility (LTF).

* See Endnote: "Chronology of Litigation"

On the morning of November 18, Shee Atiká board members Herman Kitka, Ethel Staton, and Ted Borbridge watched as director Nelson Frank took a chainsaw and made the first cut in the first tree to be felled at Cube Cove.

It was a short-lived timber operation. The next day, at the request of the village of Angoon and the Sierra Club, Alaska Superior Court Judge Walter Carpeneti issued a temporary restraining order halting Shee Atiká's efforts to prepare the LTF. The Sierra Club wasn't seeking a court victory so much as delay—and few organizations were more effective at such tactics.*

"They would file separate administrative appeals: one with the ANCSA appeals board and one with the BLM appeals board. The Sierra Club did that to whipsaw Shee Atiká between two boards and to drag it out forever."

- Richard Baenen

It appeared the Sierra Club had achieved its goal of stopping Shee Atiká from logging on Admiralty when, in February 1983, the Alaska Superior Court issued an injunction that prohibited timber operations at Cube Cove until the particular lawsuit under review was decided.

"In those days, we gave Shee Atiká what we called a 'Going Concern' qualification: the accountant states that it is uncertain whether the company can stay in business."

- John Ferris, Shee Atiká auditor

For a corporation's creditors, a qualified opinion from an auditor is the ultimate red flag. In the early 1980s, no Shee Atiká officer would have argued with the auditors' opinion that the future of the corporation was in doubt.

* See Endnote:
"The Sierra Club's
Tactics"

"The sound of the first spruce tree crashing through the forest to a soft landing in the moss at 11:15 a.m. Thursday, signaled the end of eight years of planning and the beginning of many years of sustained-yield timber development."

- Sitka Sentinel, November 22, 1982

