



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Friday, March 30, 2012
Anchorage and Fairbanks, Alaska; NeiHu, Taiwan

1. CALL TO ORDER

Chairman Hugh Short called the meeting of the Alaska Industrial Development & Export Authority to order on March 30, 2012 at 11:50 am. A quorum was established.

2. ROLL CALL: BOARD

Members present in Anchorage: Robert Sheldon (Public Member); G. Wilson Hughes (Public Member); Angela Rodell (Deputy Commissioner, Department of Revenue); Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development); and Hugh Short (Public Member, Chair).

Participating via teleconference from Fairbanks, Gary Wilken (Public Member); from NeiHu, Taiwan, Ron Arvin (Public Member).

3. AGENDA APPROVAL

A motion was made to add an Executive Session to the discuss Healy Clean Coal Project. The agenda was approved as amended.

4. ROLL CALL: STAFF, PUBLIC

Staff present: Ted Leonard (Executive Director); Jim Hemsath (Deputy Director-Project Development and Asset Management); Mark Davis (Deputy Director-Investment Finance and Analysis); Chris Anderson (Deputy Director-Commercial Finance); Mark Schimscheimer (Project Manager); Karl Reiche (Projects Development Manager); Jay Drewry (Chief Procurement Officer); Bill Phelan (Loan Officer II); Karsten Rodvik (Project Manager-External Affairs); Sherrie Siverson (Executive Assistant); and Teri Webster (Administrative Assistant).

Others present: Brian Bjorkquist and Jerry Juday (Department of Law); McHugh Pierre (Deputy Commissioner, Department of Military and Veterans Affairs "DMVA"); Mike Bridges (Brigadier General, Commander and Assistant Adjutant General, Alaska Army National Guard); Jerry Walton (DMVA); Steve Raney (Commander, Civil Engineering, United States Coast Guard "USCG"); Asa Daniels (Lieutenant Commander, Sector Anchorage Logistics, USCG); Jason Fosdick (Captain, Commander of Sector Anchorage, USCG); Brandon Spoerhase (Jack White Commercial); and Patti Fisher (Pubic Member).

Participating via teleconference: Doug Ward (Alaska Ship & Drydock), Win Gruening (Key Bank), Hank Baumgart (Alaska Seafood Holdings, Inc.).

5. PUBLIC COMMENTS

McHugh Pierre, Deputy Commissioner, Department of Military and Veterans Affairs

Deputy Commissioner Pierre spoke in favor of the Camp Denali Readiness Center Addition Project.

Brigadier General Mike Bridges, Alaska Army National Guard

Gen. Bridges commented on the Homeland Emergency Response partnership, coordination and consolidation with United States Coast Guard Alaska, Army National Guard, Air National Guard, and Alaska DMVA. The North Slope oil production and sea ice adds to the partnership of the USCG leadership with the entire Alaska Homeland Emergency Response Program. He said they very much support this activity.

Captain Jason Fosdick, Sector Anchorage, USCG

Captain Fosdick added his support for the Camp Denali proposal.

6. PRIOR MINUTES

Minutes from the February 29, 2012 board meeting were approved as presented.

7. NEW BUSINESS

7A. Loan Resolution No. L12-03 – Alaska Seafood Holdings, Inc.

Mr. Leonard said Resolution No. L12-03 is a request from Key Bank for a loan in the amount of \$7,500,000 and AIDEA's 70% portion would be \$5,250,000. He said AIDEA has the capacity to fund this loan and Ms. Anderson was present to answer questions.

Ms. Anderson provided an overview of the loan request. Alaska Seafood Holdings, Inc. is the borrowing entity. The guarantors include Icy Strait Seafoods, Inc., Southeast Alaska Smoke and Salmon Company, Inc. d/b/a Taku Smokeries; Hank and Aaron Baumgart, Daniella Galisio, Marco Galisio, and Georgio and Daniella Galisio Family Trust.

This is an acquisition to provide long-term financing for a seafood facility in Juneau which has been leased to the borrower since 1992. It is a two-story, mixed-use building. In the building there is a seafood processing plant, retail space, and the Twisted Fish restaurant. They will retain 70-75 direct jobs, but no new permanent jobs will be created. The borrowing entity is managed by Hank Baumgart. He is a 50% owner and a guarantor and was a previous owner of Icy Straits Seafoods.

The building is appraised at \$10 million, which is a 75% loan-to-value. There are no known environmental issues. The strengths of this credit are the borrowers' overall debt service coverage and the business is well established and profitable. The collateral is owner-occupied. It has been in use by the borrowers since 1992. The guarantors have a solid net worth and are fairly liquid. The collateral has potential for alternative uses, which was considered when analyzing the property. A potential weakness is this is the seafood business which is considered volatile and may have high risk associated with it. What mitigates this is the borrowers integrating the seafood processing aspect of the business from harvest through the finished

project. Alaska Seafood Holdings has a strong net worth and it has improved its capability of absorbing the natural fluctuations within the market.

There is capacity within this program and staff recommends approval of this credit under the Loan Participation Program.

Deputy Commissioner Rodell asked if AIDEA is on parity with Key Bank, where AIDEA gets \$.70 and they get \$.30. Ms. Anderson said it is parity.

Mr. Sheldon asked if the 70-75 direct jobs are locally employed or if there would be seasonal issues with hiring for seasonal labor. Mr. Baumgart said there were some summertime short-term employees replaced.

Mr. Sheldon asked if the 70-75 jobs were primarily local hire now. Mr. Baumgart said 40-50 are local hire and the other 25 are seasonal.

Mr. Sheldon asked if there is an estimated remaining life in the facility and if any significant upgrades will be needed in the next 10 years. Ms. Anderson said the estimated economic life of the facility is 29 years, which is one reason for the 20-year term.

Mr. Sheldon asked if there is any anticipated event in the next 10-15 years to upgrade the building to any standards. Ms. Anderson said she is not aware of any.

Chairman Short asked if the structure of the deal includes seller financing at market terms. Ms. Anderson said that it did and terms were considered at market.

Mr. Short said he noticed there was a recently negotiated 20-year lease with a tenant which increased the rent. He asked if there is an out-clause for that tenant and what the terms are for the lease. Mr. Phelan said there are common out-clauses for this type of deal. He suggested the primary reason for the term of the lease and the increase was improvement in the sea-walk in front of the property. This changed the dynamics of traffic and value of the retail space. He said what they are paying is a market rate and given its location, is very marketable.

Mr. Leonard said the location is next to the cruise lines.

Commissioner Bell said it is adjacent to the tramway and serves multiple markets. As a Juneau resident, she said it adds diversity of restaurant, manufacturing and seafood processing in a high retail area serving local residents and visitors. Last year Juneau had a 2% increase in visitors after 3 years of decline. One million cruise passengers are anticipated by 2013.

MOTION: Commissioner Bell made a motion to approve Resolution No. L12-03. Motion seconded by Mr. Hughes. The motion was approved with Board members Arvin, Bell, Hughes, Rodell, Sheldon, Short and Wilken voting yea.

7B. Resolution No. G12-02 – Camp Denali Readiness Center Addition Project “CDRCAP”

Mr. Leonard acknowledged representatives from the United States Coast Guard “USCG” and the Department of Military and Veterans Affairs “DMVA” who came to comment on this development project. There are three conditions in the resolution that must be met before AIDEA can move forward with construction of the facility: (1) The license between JBER and

DMVA must be completed; (2) The sublicense from DMVA to AIDEA must be completed; and (3) The Municipality of Anchorage must approve the project. Regulations state that before AIDEA can build a project in an area, the area must approve the project.

Mr. Hemsath directed the Board's attention to the packet of information provided which included the resolution, a finance plan, a Memorandum of Agreement between the USCG and DMVA and a Letter of Intent from DMVA to AIDEA stating their intent to sign the project development agreement. He said the USCG's current lease in the Peterson Building is expiring and with an expanded mission, they require additional space. The USCG spent several months looking at a variety of different properties in Anchorage and determined that co-locating to JBER and the Army National Guard Facility provides them an optimal solution. It will provide the space they need, provide operational coordination with the National Guard Command Center and the State of Emergency Operations Center. It will also provide the physical security needed as it relates to Homeland Security and other military opportunities, as well as proximity to the mission and mission components themselves, with Kulis moving onto JBER. DMVA has approached AIDEA looking for a method to fund this project in a timely manner that would assure the USCG stays in Alaska. AIDEA has determined, through the DMVA request, that this project fits the definition of a development project and meets the economic development mission of new construction jobs for the facility and retention of the USCG's expanded mission in Anchorage and Alaska.

Mr. Leonard said one of the goals the Legislature added to AIDEA's definitions was to look at how to expand the missions of the military in Alaska. This model is good for moving forward and a good test of that model. He listed multiple locations for future expansion.

Mr. Davis said when developing the 2008 Strategic Plan, there was no ability to use federal facilities so authority was sought and received to do that. At this time 80% of federal spending in Alaska is on the military side. This is an effort to reach out to that segment of the economy and use new legislative authority.

Mr. Hemsath said this resolution fits AIDEA's expanded definition of projects. He directed the Board's attention to photographs within the information packet. He said the USCG prepared a detailed mission requirement for the building. The defined not-to-exceed cost of the facility is \$15 million. With a 25-year term, a 7% return-payment stream would be approximately \$1.272 million a year. The USCG and DMVA have both indicated this payment is acceptable within their financial abilities. With the outside limit of \$1.272 million, the project is acceptable. The DMVA license with the United States Air Force will be on base. The DMVA will have an unrestricted occupation timeline at the National Guard Facility.

Chairman Short asked about the status of the license between JBER and DMVA. Mr. Hemsath said a draft has been completed, commented on and is in the review process.

Chairman Short asked when the license should be complete. Mr. Hemsath said they are hoping that a decision will be made by the end of April or the beginning of May. The license, as well as a sublicense, will need to be reviewed. He said AIDEA has developed an operating agreement with DMVA on how to manage and operate the facility and the payment stream. There is a property agreement between the USCG and DMVA for rental of the facility and those operations. A design/build contract bid package has been created and is prepared to be distributed on Wednesday, April 4, 2012. That package will reject any bid over \$15 million and outline conditions that must be met. During the bid process it is expected the three conditions will be completed. The contract awards should be complete by the May 15, 2012 deadline. The

contract is estimating an April, 2013 move-in ready date, with overall completion of the facility in the summer of 2013. It is staff's recommendation to proceed with this project.

Deputy Commissioner Rodell commented on the situation with the Eielson Air Force Base and federal budget with the Department of Defense (DOD). She asked if there are any concerns about the ability to make payments to DMVA.

Commander Raney said prior to signing the Memorandum of Understanding, they had to submit a planning document through USCG Headquarters, which was approved. The Coast Guard is on budget for the additional lease cost, recognizing the lease that the Sector is currently in is going to expire. Several years back, they knew they would need to budget for an increased space allocation and funding. This risk is very minimal. There will always be a Coast Guard presence of some form in Alaska.

Deputy Commissioner Pierre said the USCG is part of the Department of Homeland Security in the federal government so they are outside the BRAC process and DOD's budget. Thankfully, the USCG's role is expanding, so as the Air Force is undergoing a different set of evaluation with respect to mission-ready and force structure across the country, the USCA is actually seeing expansion in Alaska.

Mr. Hemsath said the National Guard will always have a strong presence in Alaska also. The National Guard is short on space on base right now. They are ready in the event the USCG leaves early, so there is a second potential tenant that could fill the space.

Chairman Short asked the difference between the rent paid at Peterson Tower and this proposal. Commander Raney said he did not recall the current rent. It is an anticipated increase and he has spoken with people in Washington, DC, who have said the money is there and ready to go. They are waiting for the actual lease document to sign.

MOTION: Mr. Hughes made a motion to approve Resolution No. G12-02. Motion seconded by Mr. Sheldon. The motion was approved with Board members Arvin, Bell, Hughes, Rodell, Sheldon, Short and Wilken voting yea.

RECESS: 12:27 pm.

The Board reconvened its regular meeting at 12:40 pm.

MOTION: Deputy Commissioner Rodell made a motion to move Item F: Executive Session on Healy Clean Coal to Item C and move Items C, D and E down on the agenda. Motion seconded by Mr. Sheldon. Motion passed unanimously.

MOTION: Mr. Sheldon made a motion to go into Executive Session to discuss business and proprietary information regarding the status of the Healy Clean Coal Project. Motion seconded by Deputy Commissioner Rodell. Motion passed unanimously.

7C. Executive Session: 12:42 pm.

The Board reconvened its regular meeting at 1:18 pm. Mr. Juday confirmed that everything covered in executive session was appropriate to the motion.

7D. Jobs Report Framework – Alaska Ship & Drydock, LLC/Vigor

Mr. Leonard said at the previous board meeting, the Board asked Vigor and AIDEA staff to develop a jobs report to present to the Board on a quarterly or yearly basis. Mr. Hemsath worked with Vigor and Doug Ward regarding jobs and tracking jobs in Ketchikan. He presented the form and requested input from the board regarding changes and details.

Mr. Hemsath commented on the discussion held, noting inquiries regarding what information was available as well as what information Vigor and ASD would want to have released in terms of types of jobs. They had a narrative on what has been done in the past year for workforce development, which is considered a key component of Vigor's mission. He said Doug Ward will be speaking next Thursday, April 5, 2012, at the Resource Development Council meeting on shipyard workforce development.

Deputy Commissioner Rodell said it looked as if FTE asked for the number of resident and non-resident employees, and a resident was defined as someone who maintains a residence in Ketchikan. She said she thinks of non-residents as non-Alaskans. She asked if the Board wants to be this narrow on the definition of resident and said she could see someone from elsewhere in Alaska coming to work seasonally in Ketchikan and then going back to their city or village.

Chairman Short said he got a phone call from Bethel after the press release went out. A man whose friend just graduated from welding school was looking for a job and wanted a connection to Ketchikan.

Mr. Leonard said staff will add another row to include this information. The information from this is also of interest to the Ketchikan Borough.

Mr. Hemsath said staff will add non-Alaskans as a subset. This is intended to develop regional employees, not statewide employees, but a differentiation can be made.

Deputy Commissioner Rodell said this will be helpful because someone in Juneau might pick it up and not appreciate the distinction and assume non-residents means non-Alaskans.

Mr. Leonard said it will help with measurements because AIDEA's mission is regional and statewide.

Mr. Wilken commented on the difference between a physical residence versus a mailing residence using a post office box. If that is restricted, they can always see if it becomes a problem.

Commissioner Bell said they would probably be building this from payroll data so an additional layer would have to be added to information-gathering procedures.

Mr. Leonard said since this is an internal report, he does not think there are any legal issues on what information is collected. Mr. Juday said he does not see a problem.

Mr. Wilken asked if staff can look at, not only job descriptions, but also job categories. He said he has no idea how many categories there are in a shipyard, but under each category would be a subset. He would be interested to know if level-of-skill could be evaluated and if moving in or out of the state could be looked at as a result of this.

Mr. Leonard said when staff initially went down this route there were issues about confidential information dealing with unionization. Staff will ask Vigor what level they are comfortable going down to, but there may be issues when asked to go into categories. The narrower the categories became, the more nervous Vigor got regarding the information.

Mr. Hemsath said there were two aspects. They started with categories and were looking at skill sets and job categories with a fair amount of detail. In one of them, there were real concerns about the report and identifying categories in a way that relates to potential unionization and disruptions. The other aspect was from the shipyards' perspective. He said he recalls them working a piece of legislation and wanting to get away from categorization. The new workforce development is done through a lot of cross-training. What this does is prevent cross-training and cross-description to get to just quoting a ship worker as a category, as opposed to a specific category of welder, boiler-maker, laborer. This was a significant difference to them. You can take it as both positive and negative in each category but they were looking for the best models of manufacturing for competing worldwide, and having the ability to cross-train. The minute they start categorizing their employees to record what the categories are, they limit themselves in cross-training and cross-operational aspects.

Mr. Leonard said staff will go back and discuss what the Board is looking at in broad categories on skill sets and see what can be done.

Mr. Wilken said the board doesn't so much detail that nobody looks at it. If this creates a report that is not going to be useful, he said to set the suggestion aside as unworkable.

Deputy Commissioner Rodell said to the extent they might be filing any federal employment data for federal purposes, there are really broad categories. It may be something they can share, which might ease their concerns over confidentiality.

7E. Procurement of Office Building and Sale of Existing Office Building – Update

Mr. Leonard said staff would provide the Board with periodic updates on how the search for a workable building is progressing. He invited Karl Reiche to provide an update on the status of the process and plans for moving forward.

Mr. Reiche said the building committee is comprised of himself, Valorie Walker, Jay Drewry, Aaron Rhodes (HR Manager) and Chris Rutz (Procurement Officer). AIDEA contracted with RIM Architects for design services to develop the Request for Proposal (RFP) and contracted with Pacific Tower Properties to act as broker. They have updated the staff forecast and extended it to 2017. It is estimated staff will increase from 86 at present to 147 by 2017. A space program has been developed to estimate the size of the required building. The memo shows 33,600 useful square feet. In the past few weeks, this has increased a little. The RFP is being prepared for distribution. The challenge is the performance requirements of the building, including being modern, energy-efficient, and one that will provide the highest performance over a 20-year life cycle.

Mr. Wilken asked if this will be funded internally with no grants being sought from the Legislature. Mr. Leonard said AIDEA will fund internally with its assets. He does not feel there is a need to secure funding through the bond market, depending on where cash flow is at the time. AIDEA will definitely not be going to the Legislature for funding unless directed to by the Board.

7F. AIDEA Legislation – Update

Mr. Leonard said he was asked to give a more detailed update on the legislation currently affecting AIDEA. This is a unique view where AIDEA only has one piece of legislation still in the pipeline with House Finance which is SB 66. Other legislation listed in the memo, SB 25, HB 316, and amendments to potential oil tax legislation have all been brought up by Legislators, not the Administration. Mr. Davis has been bird-dogging legislation so he was asked to give an update.

One of the bills heard in Senate Finance, SB 25, deals with the Legislature asking AIDEA to take a role in financing energy projects. This had a very positive introduction by Senator McGuire. She said she appreciated the direction that the new board and chair are taking AIDEA.

Mr. Davis said staff suggested additional technical comments on SB 25 and SB 357. The sponsors indicated they will make those changes. There are three major comments but they will clean them up. SB 357 was before House Energy yesterday and SB 357 will be rescheduled for an additional hearing next Tuesday, April 3, 2012. This is the one bill moving.

8. DIRECTOR COMMENTS

Mr. Leonard sent an update to the Board yesterday and is available to answer questions.

Mr. Wilken asked about the spreadsheet showing activity of pending projects. In regard to the NovaGold and Donlin Creek effort, he thinks they are in a conceptual state and would like to be included in any updates.

Mr. Davis said NovaResources has split into NovaGold and NovaCopper. The new head of NovaGold is the former Vice President of Production for Barrick Gold, and he is scheduled to meet with him after the legislative session ends. Mr. Leonard said staff will keep the Board apprised as this moves forward.

Mr. Wilken asked about NovaCopper and the Ambler Mining District. He said he seems to remember sometime in the last six months a discussion about whether the Department of Transportation (DOT) was going to go east or west out of Ambler to the Dalton or to the saltwater. He asked if anyone had an update on that decision.

Mr. Davis said he spent last week in Fairbanks with DOT and NovaCopper. They reviewed the public comments received from the various scoping meetings. There seems to be a consensus from engineers and residents that there is more support from Galbraith, rather than coming from the east. It affects a shorter distance, it creates access to several villages in the area and it would create fewer issues with an Environmental Impact Statement because you cross a lot less water. One comment residents have had is about preservation of sheefish, which are not well studied in this state. There are more sheefish to the east than to the west.

Mr. Wilken said the decision was supposed to be set in November and asked if they had given a date for their preliminary decision.

Mr. Davis said they are having meetings with an infrastructure group in conjunction with the governor's office. One major issue is which entity would be the proponent under the EIS. The discussion is still ongoing and no decision has been made.

Mr. Wilken asked to confirm there is no date yet given for that decision. Mr. Davis said to his knowledge, there is not.

Mr. Wilken asked about the bar charts provided each month. He requested the Board look at the second chart on page 2 and 3, where it's pink and brown, titled AIDEA Loan Fund Participations. He said the column FY Funded Loan Participation shows there's 436 million targeted and today we're at 411 million. He asked if that means there is headroom for 25 million for the rest of the year.

Mr. Leonard said the first graph is more of a projection, not a target on this graph. If everything went the way it was projected, the goal would be to have loans outstanding of \$436 million. That can be affected by quite a few different factors, including the amount of loans paid off. He asked members to look at the second graph, where it is stated a target of \$50 million more of loans of year are issued and they have funded approximately \$22 million and another \$9 million. One of the reports given by Mr. Sheldon ties into that. The graph is saying there is about \$19 million more of loans to issue to meet the target of \$50 million and they have just issued another loan for almost \$6 million. There is about \$13 million left in reaching the target.

Mr. Wilken asked what the difference in the charts on pages 2 and 3 were. Mr. Leonard said the first one is outstanding principle and the second one is a breakdown of the loans.

9. BOARD COMMENTS

Commissioner Bell said she was in Ketchikan yesterday and visited the shipyard. Mr. Ward was preparing his speech for next week. The shipyard is an impressive asset and the town is very excited about it.

Mr. Leonard said one of the recommendations for a board meeting outside of Anchorage would be Ketchikan.

Deputy Commissioner Rodell said she was in Galena for the Choose Respect March and there is probably some need for AEA out there.

Chairman Short said Ms. Fisher-Goad is working on a site visit to the Susitna-Watana Hydroelectric Project. There may be helicopter tours in July and August and an email will be sent with the schedule. The hope is to get out to the site and get boots on the ground.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:53 pm.



Ted Leonard, Executive Director/Secretary
Alaska Industrial Development and Export Authority