



Alaska Industrial Development and Export Authority  
**BOARD MEETING MINUTES**  
**Thursday, June 28, 2012**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on June 28, 2012 at 10:38 am. A quorum was established.

**2. ROLL CALL: BOARD**

Members present: Chair Hugh Short (Public Member); Vice Chair Susan Bell (Commissioner Department of Commerce, Community, and Economic Development); Bruce Tangeman (Deputy Commissioner, Department of Revenue); Gary Wilken (Public Member); and Robert Sheldon (Public Member).

**3. AGENDA APPROVAL**

The agenda was approved.

**4. ROLL CALL: STAFF, PUBLIC**

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Mark Davis (Deputy Director-Investment Finance and Analysis); Jim Hemsath (Deputy Director-Project Development and Asset Management); Valorie Walker (Deputy Director-Finance); Karsten Rodvik (Project Manager-External Affairs); Chris Rutz (Procurement Officer); Sherrie Siverson (Executive Assistant AIDEA); Teri Webster (Administrative Assistant AIDEA); May Clark (Executive Assistant AEA); and Yolanda Inga (Administrative Assistant AEA).

Public: Jerry Juday (Department of Law); Rachel Bylsma (Governor's Office); George Swift (Guest South Anchorage); Cory Borgeson, (GVEA, Interim President & CEO); Bill Nordmark (GVEA, Chairman of the Board); John Sloan (GVEA, Board Secretary); John Burns (GVEA, General Counsel); Theresa N. Obermeyer (Public); Robert Warthen (Alaska USA); Dave Domansky (Bracewell Guiliani); and Ray Baker (Accu-Type Depositions).

**5. PUBLIC COMMENTS**

**Theresa Obermeyer**

Ms. Obermeyer shared a quote from Governor Hickel; "Alaskans are so busy counting our money, that we've lost our guts." Ms. Obermeyer said she is pleased to see there is a court reporter at the meeting and she is pleased about AIDEA's focus on American law. Ms. Obermeyer said she came to the meeting today to follow up on a binder she had dropped off at GCI six weeks ago to Mr. Hughes and was disappointed he was not in attendance. Ms. Obermeyer said she needs others to understand what she is doing and she can't do this herself.

She stated the Permanent Fund Board is only enriching their private bank accounts. Our Permanent Fund is only worth \$40 billion and the Norwegians Oil Fund is worth \$600 billion. Ms. Obermeyer commented there is a House Concurrent Resolution 19 that was introduced and she hopes the Board will look at that. No questions were asked.

## **6. PRIOR MINUTES**

Minutes from the May 10, 2012 board meeting were adopted as presented.

## **7. NEW BUSINESS**

### **7A. Loan Resolution No. L12-05 – Guest South Anchorage, LLC**

Mr. Leonard said that Resolution No. L12-05 is an AIDEA loan participation request in the amount of \$5,250,000, with AIDEA's portion being 50% of the total. The loan is with Alaska USA Federal Credit Union and the borrower is Guest South Anchorage, LLC. Ms. Anderson gave details of the loan.

Ms. Anderson said Guest South Anchorage, LLC is the borrowing entity on this credit. The guarantor is George Swift. The financing is for a newly-constructed, 92-room Aspen Suite Hotel on Tudor in Anchorage. This project created 90 construction jobs and 14 permanent jobs. The property is professionally managed by Aspen Management Group, LLC, which is 100% owned by George Swift.

AIDEA would be taking a first-lien position on the property, as well as a UCC filing on the furniture, fixtures and equipment (FF&E). Mike Mohn appraised the property at an as-complete value of \$9,750,000, and at stabilization in 2014 at \$11,400,000. Ms. Anderson said it was well within the loan-to-value parameters. Ms. Anderson stated the debt-service coverage is anticipated to be 1.23 in the first year and 1.79 in year two. A replacement reserve will be required of the FF&E, as well as a payment reserve, which provides minimum debt-service coverage of 1.30 to one.

Ms. Anderson said AIDEA has other debt with Mr. Swift for \$1,263,990 for a hotel in Soldotna. That loan has been paid as agreed. Mr. Swift has had other debt with AIDEA that has been paid off. Ms. Anderson said AIDEA approved a loan participation with Sterling Savings Bank in February 2012 for Mr. Swift's Aspen Hotel in Juneau. That loan has not been booked yet, but Ms. Anderson said she is working hard to close it out before the fiscal year end.

Ms. Anderson said there are no environmental issues noted on the property. She states there are many strengths to this credit. Strengths include the fact that it is professionally managed, it is with an established borrower with a very good operating history, it is new construction, and the debt-service coverage is very reasonable. This is a 50/50 participation with Alaska USA, which reduces AIDEA's risk, and the guarantor has a strong financial capacity. The loan to value is low.

Ms. Anderson said perceived weaknesses include the borrower's assets being concentrated in real estate holdings, and the owner lives out of state, but travels to Alaska frequently on an as-needed basis.

As of May 31, 2012, Ms. Anderson said the portfolio diversification was AIDEA had 20.8% statewide in the tourism industry. This would increase to 21.29%. The portfolio in the tourism industry in the Anchorage region only is currently 7.51%. This would increase to 8.08%.

Ms. Anderson stated AIDEA does have capacity to fund this loan from the fiscal year 2013 numbers, because it is anticipated this loan would not be funded in fiscal year 2012. Staff recommends approval as presented and she asked if there were any questions.

Mr. Sheldon asked about current levels of occupancies and rooms available in town. Ms. Anderson said she thinks Mr. Swift has found a niche market here because he is leaning toward extended stays. There are a lot of corporate and government people who use the hotel for extended stays, and there is a need for that service in the market.

Chair Short commended and thanked Mr. Swift for his business and the developments he has done in the state. Chair Short asked Mr. Swift for insight into his business plan and how he feels about the overall economy of Alaska. Mr. Swift said the extended-stay hotels are a niche market and are different from other hotels due to the variety of options offered to travelers. He stated there is a need in the Alaska market for this kind of accommodation and thinks it is a good fit for Anchorage. Mr. Swift feels if you own a property, you need to operate it. His organization has the financial discipline to maintain the quality of the product. Mr. Swift believes in the state of Alaska and believes in the people and thinks it is a good grass roots place and has had a rewarding experience over the years in the state.

**MOTION: A motion was made by Commissioner Bell to approve Resolution No. L12-05. Motion seconded by Mr. Wilken. The motion was approved with Board members Wilken, Sheldon, Tangeman, Bell, and Short voting yea.**

**7B. Resolution No. G09-01B – Amendment to Resolution No. G09-01A relating to Office Building Renovations and Major Repairs and Maintenance to AIDEA's Northern Lights Building**

Christopher Rutz gave a summary and update of the resolution. He stated the purpose of the resolution is to add some time to the existing resolution and reduce the amount of money that would be available to spend, and still have a safety net over the period of the next year as staff look for a new office building.

Mr. Rutz said this resolution originally began in 2009 in order to accommodate new AEA staff moving into the building for the Rural Energy Fund. Since then, AEA and AIDEA have added significant staff and based on that growth, options have been pursued to meet office space needs. Mr. Rutz anticipates an RFP will be out in July looking for either new or existing office space.

Mr. Rutz said the Susitna-Watana project and AIDEA are adding additional staff and adjustments in the building are being made through the use of dividing offices and rearranging space. The intent of this resolution is to allow AIDEA to use up to \$340,000 over the next year in the event HVAC issues arise. Mr. Rutz is hoping to postpone any work on the HVAC system and sell the building as is. Mr. Rutz stated there may be some other needs with respect to consolidating the offices. The current plan is to bring the Susitna-Watana office into the 813 West Northern Lights building with the hope of leasing some additional space next door, which the Municipality is vacating at the end of September.

**MOTION: Mr. Wilken made a motion to approve Resolution No. G09-01B. Motion seconded by Mr. Tangeman. The motion was approved with Board members Wilken, Sheldon, Tangeman, Bell, and Short voting yea.**

**MOTION: Mr. Wilken made a motion to go into Executive Session to discuss proprietary and confidential information regarding the Healy Clean Coal Plant and for GVEA to present their strategy for placing Healy Clean Coal Plant online. Motion seconded by Commissioner Bell. Motion passed unanimously.**

#### **7C. Executive Session**

The Board entered executive session at 11:01 a.m. The Board reconvened its regular meeting at 1:00 pm. Everything covered in executive session was appropriate to the motion.

### **8. DIRECTOR COMMENTS**

#### **8A. Director's Status Report of AIDEA Programs and Projects**

Mr. Leonard sent a report on Monday to the Board regarding Roads to Resources. Mr. Leonard stated the new AIDEA website is up and any comments to improve the website would be appreciated. The Municipality has granted approval to move forward with the DMDA project. The Air Force still has to give its permission, but he believes that will happen soon.

Mr. Leonard said the new projected sail date for the Cook Inlet Jack-Up rig is July 26, 2012. Mr. Hemsath and Chair Short will be present. Mr. Leonard stated there are several new projects in the queue.

Mr. Wilken referred to Mr. Leonard's report and asked which way the Ambler project road is going to go. Mr. Leonard said through the Environmental Impact Statement (EIS) process, all the different alternatives have to be looked at, but he thinks the route going east is substantially less costly than the route to the west. Mr. Davis said the EIS process is estimated to begin in November.

Chair Short asked Mr. Leonard for an update on SB 25 regulations and its implementation. Mr. Leonard stated the Governor signed both SB 25 and SB 66 two weeks ago. An RFP was issued for financial experts in energy to assist with developing a regulations package. Mr. Leonard said staff has experts for the new markets tax credits and are also working with Alaska Growth Capital to develop and complete those regulations as quickly as possible.

Chair Short asked Mr. Leonard what the role of AEA is with SB 25. Mr. Leonard said he has talked to Sara Fisher-Goad and AEA will be involved significantly in writing the regulations. He stated the inventory AEA has done regarding the resources across the state will be invaluable as these projects are reviewed for financing.

#### **8B. Next regularly scheduled board meeting is Thursday, August 9, 2012.**

### **9. BOARD COMMENTS**

Commissioner Bell complimented AIDEA's staff for their activity. Mr. Wilken said he may be subsistence fishing on August 9, 2012, and may call in to the meeting. Mr. Sheldon said that he appreciated seeing the project list come out again in a good updated manner. It looks like several items are advancing through the checklist and he is glad to see that. Deputy Commissioner Tangeman said he will be sitting in for Deputy Commissioner Rodell at the August 9, 2012 meeting.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 1:09 pm.



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