



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, March 6, 2019
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on Wednesday, March 6, 2019, at 10:04 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, Department of Commerce, Community, and Economic Development); Albert Fogle (Public Member); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner, Department of Revenue); and Julie Sande (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: Tom Boutin (CEO/Executive Director); Curtis Thayer (AEA Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (Chief Financial Officer); Mike Catsi (Business Development & Communications Director); Alan Weitzner (Chief Investment Officer, Project Finance & Asset Management [PFAM]); Yulia Ellsworth (Assistant CFO/AIDEA Controller); Liz Greer (PFAM Project Manager); Michele Hope (Interim Procurement Officer); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Development Finance Officer); Linda Senn (Human Resources Manager); Sam Tappen (Infrastructure Development Officer); Rich Wooten (PFAM Project Manager); Sherrie Siverson (Executive Assistant); Aimee Sudbeck (Administrative Assistant); and Krin Kempainen (Administrative Assistant).

Public present: Doug Blumer (NC Power Systems); Russell Dick (X'una Kaawu Annee Corp.); Tim Gallagher (HDR); Mark Gardiner (Caudaloso LLC); Jerry Juday (Department of Law); Sunny Morrison (Accu-Type Depositions); and Ashton Compton (Public).

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PUBLIC COMMENTS

Chair Pruhs welcomed Russell Dick to the floor and expressed appreciation for his prior service to AIDEA. Now serving as President/CEO of X'una Kaawu Annee Corporation, Mr. Dick discussed the tremendous growth of Icy Strait Point, North America's only privately-owned cruise ship destination located in Hoonah, Alaska and owned by the corporation. Mr. Dick explained that Icy Strait Point caters to cruise ship guests and offers a unique port for those traveling with Norwegian Cruise Lines, Royal Caribbean, Celebrity, Holland America, Princess, Ovation, and Regent Seven

Seas cruise lines. He expects Viking and Cunard Cruise Lines to use the port this year and anticipates Virgin within a few years.

Mr. Dick stated the economic impact to the community of 730 people has been significant. Icy Strait Point put 160 people to work last year which accounts for 75 percent local hire. He expects a workforce of 200 people this year which should increase to 240 employees by 2020. The community has benefitted from nearly \$5 million between employment, spending and other contributions.

X'una Kaawu Annee Corporation had partnered with AIDEA and Northrim Bank in 2017 to build its first cruise ship pier and is now working with AIDEA for additional uplands development for a second cruise ship berth. He explained Icy Strait Point went up 100,000 passengers last year, expects to go up another 100,000 this year and anticipates fairly significant growth in 2020. Mr. Dick noted there can be as many as 6,000 people on site in one day.

Deputy Commissioner Samorajski asked which cruise lines stop at Icy Strait Point. Mr. Dick stated that all the cruise lines that come to Alaska come through Icy Strait Point. Depending on the ship and its itinerary, passengers typically stay in the area from 8 to 10 hours, taking in cultural, adventure, and wildlife tours. The corporation offers 36 tours and there are multiple retail shops and three restaurants on site.

Chair Pruhs mentioned he had been very impressed with his single visit to Icy Strait Point, adding that he couldn't believe he was in Hoonah, Alaska, looking at all the infrastructure that's been put in, and said, it was all first class.

Mr. Dick stated currently it is estimated that \$60 billion worth of ships are on order in the industry, he expects continued growth for Alaska as a high-yielding port for the cruise lines.

After the Icy Strait Point discussion, the public comments section were closed.

6. PRIOR MINUTES – Nov 28, 2018, Jan 9, 2019, Feb 7, 2019

The minutes of November 28, 2018, January 9, 2019 and February 7, 2019 were approved as presented.

7. NEW BUSINESS

7A. Executive Session

MOTION: Mr. Karl moved that the board enter into executive session to discuss: Confidential negotiations between IGU and Siemens that AIDEA is legally obligated to keep confidential; confidential financial matters related to the Ketchikan Shipyard, and confidential financial matters related to AIDEA's budget the immediate disclosure of which would have an adverse impact on the Authority. The motion seconded by Commissioner Anderson.

The Board entered Executive Session at 10:14 a.m. Participants included board members Dana Pruhs, Bernie Karl, Julie Anderson, Albert Fogle, Bill Kendig, Greg Samorajski, and Julie Sande. AIDEA staff invited to join the session, at different times, for related topics: Tom Boutin, Brenda Applegate, Alan Weitzner, and guests, Mark Gardiner, and Jerry Juday.

The Board reconvened at 12:28 p.m. Chair Pruhs advised that the Board had not taken any formal action in the matters discussed while in executive session.

7B. Loan Resolution No. L19-01 Maple Springs Palmer MOB LLC

Tom Boutin introduced Loan Resolution No. L19-01 and stated he felt there was no reason why AIDEA shouldn't proceed with the resolution, he asked Chris Anderson to go over the details. Ms. Anderson described the loan participation request from Wells Fargo Bank as a 90/10 split. AIDEA's participating portion is \$3,780,000 on a gross loan of \$4,200,000. AIDEA would do a 25-year fixed loan on our participating part and Wells Fargo will do a 10-year fixed loan on its percentage interest. She identified the guarantors as Alaska Pediatric Dentistry, LLC, Roger Beck; Erickson Investments, LLC, Wade Erickson, Heather Erickson, Maple Springs of Palmer SNF Holdings, LLC and Nicholas Larsen. The purpose of the proceeds is to pay off construction financing that is now with Wells Fargo for a new medical office building located on the Palmer-Wasilla Highway. The project will create 40 construction jobs and 25 new permanent jobs and the borrowing entity is managed by Dr. Wade Erickson who is an experienced commercial real estate owner as well as a successful business person in the area.

Ms. Anderson added that AIDEA would take a first deed of trust on the subject property as collateral. Brian Bethard, MAI had appraised the property at \$5,600,000 which provides AIDEA a 75 percent loan to value and a debt service coverage of 1.49 to 1 which is above AIDEA's minimum of 1.25 to 1. With related debt of three other credits with Wade and Heather Erickson plus this loan, if approved, the combined balance total would be \$15,514,215. The financial information had been sent to Board members under separate cover. The property has no known environmental issues.

Ms. Anderson stated that both the medical field and the Valley is growing. The demand for medical office space continues to be positive and the real estate market is characterized by having a limited amount of quality medical office space. New medical office space is typically owner-occupied because it can support higher construction costs.

In detailing the strengths of the request, she reiterated that the debt service coverage ratio of 1.49 to 1 is good; the collateral is owner-occupied; it has a stable cash flow projected with leases on 12-year terms; the guarantors provide outside financial credit to a loan and the owners have profitable business interests. She didn't see any weaknesses other than what a normal real estate cycle would incur.

In regards to portfolio diversification, AIDEA had 21.3 percent of its total statewide portfolio in office type projects. With this credit, that would increase to 22 percent. With participated loans within the Mat-Su Region, AIDEA is at 18.4 percent which will increase to 23 percent. The staff recommends approval of Loan Resolution No. L19-01 contingent on AIDEA approving the final recorded plat and the appraiser certifying that the project has been completed per plans specifications and its value would be at least \$5,600,000.

Chair Pruhs asked about the status of construction. Ms. Anderson stated construction is a little over 50 percent done, estimating that the earliest completion date would be July. She expects to inspect the project upon completion and before funding.

Ms. Anderson explained AIDEA's commercial transaction process for new board members. She stated there are no formal guidelines to track the amount of loans in any certain area, AIDEA does track both by industry and by location. Ms. Anderson noted that several years ago, AIDEA was getting a fairly high concentration of hotel loans, not just in Anchorage but throughout the state. With a quarter of the portfolio in one industry, she was becoming concerned about diversification, but said that since AIDEA is an economic development company, there was no need to limit anything until the portfolio reached about 40 percent.

Commissioner Samorajski asked who initiates loan requests. Ms. Anderson explained sometimes it's the lender and sometimes it's an astute borrower who knows of AIDEA's existence and wants the AIDEA loan because AIDEA can offer better terms.

Chair Pruhs asked if AIDEA was committed to a long-term loan for the hotel that burned down. Ms. Anderson stated that AIDEA has an outstanding commitment until 12/30/19. She noted developers are planning to rebuild and it could be as short as five months. If it goes past 12/30/19, the request will need to come back before the Board.

MOTION: Mr. Karl moved to approve Loan Resolution L19-01 Maple Springs Palmer MOB LLC. Mr. Fogle seconded the motion.

Mr. Karl asked if the Board ever turned down a loan. Ms. Anderson stated that none of the loans she has presented to the Board have been turned down.

The motion was approved with members Pruhs, Karl, Anderson, Fogle, Kendig, Samorajski, and Sande, voting yea.

7C. Resolution No. G19-06 Relating to the Employment by the Authority of an Executive Director of the Alaska Energy Authority

Chair Pruhs noted that both AIDEA and AEA has to approve the resolution to employ Curtis Thayer as AEA Executive Director with an effective date of February 7, 2019.

MOTION: Mr. Fogle moved to approve Resolution No. G19-06 Relating to the Employment by the Authority of an Executive Director of the Alaska Energy Authority. Commissioner Anderson seconded the motion. The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande, voting yea.

7D. Resolution No. G19-07 Earthquake – Funds for Damage Repairs

Mr. Boutin introduced the resolution and asked Rich Wooten to explain details of the request. Mr. Wooten stated the total repair expenses authorized in the resolution would not exceed \$400,000, which amount will be in addition to, and not inclusive of, the \$100,000 previously authorized. The \$100,000 was for the life and safety repairs to the west wall and southern stairwell of the building. Mr. Wooten noted those repairs have been completed. This additional \$400,000 includes all superficial repairs to the building, cracking of the brick, supports for the mechanical units in the penthouse and various other cracking in the drywall. This also includes another \$100,000 to make patch repairs in the most critical areas in the parking lot.

Mr. Wooten explained there are two procurement options: 1) AIDEA can put it out to bid; 2) PTP, AIDEA's building management firm could do most of the building repairs. Repairs for the parking lot would most likely go out to bid.

Chair Pruhs clarified the total of \$400,000 is for internal and external repairs to the building as a result of the earthquake. The value of the building was estimated to be around \$2 million. Mr. Karl asked if there was insurance to cover any of the repairs. Mr. Wooten stated the office building is self-insured by the State of Alaska and staff is working on filing a claim with Risk Management for the building, but not the parking lot.

Mr. Wooten stated he has construction-ready documents and expects they could be put out to bid in a week or so, or we can provide them to PTP to go through their contractors. He added that he thinks there may be a cost savings going through PTP.

Michele Hope explained PTP solicits for work over certain dollar amount. Through its building management contract, PTP hires contractors for janitorial services, general maintenance, and general upkeep of the building. Some of the superficial work, painting and repairing cracks, may be done through that contract. There is some brick that needs to be repaired and other repairs that require more of a specialty contract. Those would go through the procurement department or PTP would do the solicitation for the more specialty work. Projects under \$25,000 are part of PTP's monthly fee. Projects over \$25,000 have a sliding scale.

Mr. Boutin asked if there is anything that can be done to better prepare the building and its employees from future shakes. Ms. Hope stated her department is performing life-safety efforts to better secure furniture from falling in future shakes.

MOTION: Mr. Kendig moved to approve Resolution No. G19-07 Earthquake – Funds for Damage Repairs. Mr. Karl seconded the motion. The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande, voting yea.

7E. Resolution No. G19-08 X'una Kaawu Annee Corporation Cost Reimbursement Agreement

Chair Pruhs recused himself from discussion and voting on this resolution since he has a potential conflict and handed the floor to Commissioner Anderson who asked Alan Weitzner to provide the details.

Mr. Weitzner stated that Mr. Dick had earlier highlighted the application for additional financing for Stage 2 of X'una Kaawu Annee Corporation's (the Corporation) development at Icy Strait Point. He explained that AIDEA is requesting the Corporation enter into a cost reimbursement agreement with AIDEA to cover any expenses AIDEA may incur in engaging external technical and legal counsel. Any agreement between the parties will be subject to an agreed-upon cap currently set at \$150,000, and would require notice and approval by the Corporation for expenditures in excess of that cap. The agreement would not obligate AIDEA to participate or otherwise finance the project. He noted the effort is to purely engage external consultants as is necessary to review the information from Huna

Totem Corporation. Since the Corporation requested to have the analysis done by June, Mr. Weitzner stated the immediate need is to do the due diligence and engage external counsel.

MOTION: Mr. Kendig move to approve Resolution No. G19-08 X'una Kaawu Annee Corporation Cost Reimbursement Agreement. Ms. Sande seconded the motion. The motion was approved with members Anderson, Fogle, Karl, Kendig, Samorajski, and Sande, voting yea. Chair Pruhs abstained.

7F. Ketchikan Shipyard, Alaska Ship Home-porting for Improvements Program – Overview presentation

Mr. Weitzner provided a presentation on a potential new program, in an effort to get feedback and direction from the Board as the effort goes forward in doing due diligence and getting to a final structure for the program. The Alaska Ship Home-porting for Improvements Program would only apply to the Ketchikan Shipyard since it is an existing asset. Ultimately, the program's intent is to enhance the competitiveness of all Alaskan shipyards through the offer of short-term bridge financing for repair conversion and maintenance work undertaken directly or through subcontracts at Alaskan shipyards.

Commissioner Anderson asked if there were any provisions for a vessel in need of emergency repair to retroactively apply for a loan through this program. Mr. Weitzner stated vessel owners would take initial repair work under their own financial support without a commitment letter from AIDEA which would consider financing later once repairs have been completed.

Mr. Weitzner explained how rates are set and loan to value. He is currently envisioning and working towards establishing the program as a new revolving loan fund.

Off-agenda item: Chair Pruhs presented a plaque to Russell Dick thanking him for his years of service on the AIDEA and AEA boards - as the former AEA chair and AIDEA vice chair.

7G. Resolution No. G19-09 Naming the Ketchikan Shipyard Assembly Hall

Mr. Weitzner stated AIDEA received a request to name the Ketchikan Shipyard's Assembly Hall after Doug Ward in recognition of his 25 years of advocacy for workforce development in Alaska's maritime sector and a champion of economic development initiatives within the Ketchikan Community. The effort is supported by Alaska's congressional delegation as well as Governor Dunleavy.

Chair Pruhs suggested that staff research a way to show its appreciation to Doug Ward.

MOTION: Ms. Sande moved to approve Resolution No. G19-09 Naming the Ketchikan Shipyard Assembly Hall. Mr. Kendig seconded the motion. The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande, voting yea.

8. DIRECTOR COMMENTS

Mr. Boutin stated the dashboard, loan, delinquencies-to-outstanding reports, IFD & PFAM project matrices were included in the Board packet. Please contact Ms. Siverson regarding the continuing education calendar. The Investment Measurement Service Quarterly Review dated December 31, 2018 were included in the Board packet.

Mr. Boutin noted there are not a lot of problem loans, delinquencies or insufficiencies. AIDEA is at the conservative end of the risk spectrum. He is available to answer any questions.

Next regularly scheduled AIDEA Board Meeting Wednesday, April 17, 2019.

9. BOARD COMMENTS

Mr. Karl welcomed Tom Boutin as a good addition and thanked the staff for its efforts.

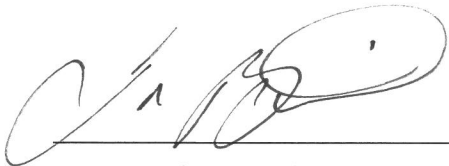
Mr. Fogle also expressed his appreciation for the March 5, 2019 work session and noted Mr. Boutin's prior work with the Authority and his wealth of knowledge, especially for new Board member.

Ms. Siverson reminded the Board about the Strategic Management planning session on Tuesday, April 16, 2019.

Chair Pruhs expressed appreciation to staff for their efforts and Board members for their participation.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:32 p.m.



Tom Boutin, CEO / Executive Director
Secretary-Treasurer
Alaska Industrial Development & Export Authority