



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Wednesday, April 17, 2019**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on April 17, 2019, at 11:46 a.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Julie Anderson (Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Albert Fogle (Public Member); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner, Department of Revenue [DOR]); 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); Mark Davis (Chief Infrastructure Development Officer); Alan Weitzner (Chief Investment Officer, Project Finance & Asset Management [PFAM]); Jonathan Bloomquist (Investment Officer PFAM); Terence Cato (IT Manager); Yulia Ellsworth (Assistant CFO/Controller); Elizabeth Greer (Project Manager PFAM); Leona Hakala (Loan Officer); Karsten Rodvik (External Affairs Officer); Linda Senn (Human Resources Manager); Rich Wooten (Project Manager PFAM); Sherrie Siverson (Executive Assistant); Krin Kempainen (Administrative Assistant); and Aimee Sudbeck (Administrative Assistant).

Public present: Bart Armfield, and Harry Bockmullen (Brooks Range Petroleum Corporation [BRPC]); Elwood Brehmer (Alaska Journal of Commerce); John Damjanovich (Northrim Bank); Russell Dick, Tyler Hickman, and Glory Scarano (X'auna Kaawu Annee Corp.); Mark Gardiner (Caudaloso LLC); Alex Johnson (National Parks Conservation Association [NPCA]); Jerry Juday (Department of Law); Sunny Morrison (Accu-Type Depositions); and Nancy Wainwright (Public).

Public present via teleconference: Chris Ashenbrenner and Bill Lawson (MT Four, LLC); and Alan Bailey (Petroleum News).

**4. AGENDA APPROVAL**

The agenda was approved as presented.

## **5. PUBLIC COMMENTS**

Nancy Wainwright stated her takeaway during yesterday's work session was the Board's diligence in its fiduciary obligations to the corporation. Ms. Wainwright requested the mysterious and troubling costs associated with the Ambler Road be addressed regarding the Environmental Impact Statement (EIS) Phase I cost of between \$22 million and \$30 million, and the projected road construction and maintenance costs. The EIS costs are almost 10 times greater than normal EIS costs. Ms. Wainwright informed her previous request for a breakdown of the EIS expenses for consultants, studies, and other costs has not yet been provided, despite the Board's indication to review the request. Ms. Wainwright repeated her request for a breakdown of the EIS expense information.

Ms. Wainwright noted the cost issue of the Ambler Road construction and maintenance is of greater concern. AIDEA's 2017 projection was about \$1.8 million per mile of the 211-mile road, and the 2018 projection decreased to about \$1.6 million per mile. These estimates are far lower than other Arctic and sub-Arctic construction estimates. BLM's alternative analysis in the preliminary documents shows that one of the routes is estimated at \$2.5 million per mile. The Dalton Highway repair of permafrost damage is \$2.2 million per mile, and the estimate of the road to Nome by DOWL Engineering was \$5.4 million per mile. The average of all the provided estimates places the total cost for the Ambler Road at \$611 million, rather than the current AIDEA projection of \$356 million. Ms. Wainwright provided a chart of the numbers discussed.

Ms. Wainwright asked, in the interest of the public, if AIDEA could schedule a regular agenda item for the public to discuss the Ambler Road issues with the Board.

Alex Johnson expressed appreciation to the Board for their diligence and service to the state. Mr. Johnson stated NPCA maintains interests in decisions regarding the Ambler Road and potential impacts to the park lands, specifically Gates of the Arctic National Park, Kobuk Valley National Park, and Noatak National Preserve. NPCA is also concerned with potential impacts to the people who depend on the park lands, the wildlife resources, including the Western Arctic caribou herd.

Mr. Johnson noted NPCA is similarly engaged in the Pebble Mine Army Corps EIS current process and concerns regarding potential impacts to Lake Clark National Park and Preserve and Katmai National Park and Preserve, as well as the salmon and brown bear resources, specifically the economic value of bear viewing in the region.

## **6. PRIOR MINUTES - March 6, 2019**

The minutes from March 6, 2019 were approved as presented.

**7. NEW BUSINESS**

**7A. Loan Resolution No. L19-02 MT Four LLC**

**MOTION: Mr. Kendig moved to approve Resolution No. L19-02 MT Four LLC. Motion seconded by Ms. Sande.**

Tom Boutin invited Chris Anderson to present Resolution No. L19-02. Ms. Anderson described the loan request from Northrim Bank and MT Four, LLC, with an 80/20 loan split with AIDEA's participation of approximately \$17.4 million and Northrim's participation of approximately \$4 million. Chair Pruhs commented for the record the split is 80/20, rather than the usual 90/10 split.

Ms. Anderson stated the loan request is for the refinance of the Hyatt House Hotel constructed in 2017 and located in Anchorage. The guarantors are Bill and Carol Larson and Chris and Christine Ashenbrener. The guarantors have had four previous hotel loans with AIDEA. All loans have been paid as agreed. One of the loans remains outstanding in Fairbanks with a balance of approximately \$5.8 million, coming to term in approximately 23 years. The proposed hotel loan will retain 51 jobs and will be professionally managed by Northwest X Southern Hospitality, LLC. AIDEA would take a first deed of trust on the improvements.

Ms. Anderson stated Northrim utilized their appraiser/appraisal process, which came in at \$29,010,000. This provides a loan-to-value of 75% and a debt service coverage of 1.43:1. There are no known environmental issues. She believes the hotel market is currently strong and toward the end of the new inventory cycle. The tourism sector is healthy.

Ms. Anderson reviewed strengths include professional management, newer construction, flag hotel, and extensive experience by the owners. There were no extraordinary risks beyond the typical market risk. AIDEA's Anchorage region of the portfolio would increase from 50.54% to 51.37%, and its tourism participation would increase from 15.62% to 18.75%. Staff recommends approval of Resolution No. L19-02.

Deputy Commissioner Samorajski requested copies of the information Ms. Anderson referenced, including the disclosure of the interest rate amounts for each loan segment. After a discussion it was discovered the confidential credit presentation was not provided to members before the meeting and copies were being made. Chair Pruhs stated a brief at-ease will occur until the information is reviewed by members. The confidential financial information was provided and the Board reviewed the documents.

Ms. Anderson stated the term for AIDEA's real estate portion is 25 years at 4.14%, and the term for the furniture, fixtures and equipment (FF&E) portion is 15 years at 3.81%. Deputy Commissioner Samorajski asked if Northrim has provided their interest rate. John Damjanovich indicated discomfort publically disclosing Northrim's interest rate. Deputy Commissioner Samorajski asked if the information can be provided in executive session. Chair Pruhs requested future interest rates to be included within the confidential financial and credit presentation the

Board will review and return, rather than having to enter executive session for every commercial loan.

Chair Pruhs asked why hotels fall within the tourism sector of the portfolio. Ms. Anderson stated most of the hotels are related to tourism and have always been within AIDEA's tourism sector. Chair Pruhs acknowledged hotels support the tourism industry. He requested hotels be segmented from the tourism sector of the portfolio. Ms. Anderson agreed.

Mr. Fogle inquired as to the plan going forward regarding future investment in the heavily weighted Anchorage region. Ms. Anderson believes diversification is driven by demographics and AIDEA, as a secondary market, is a reflection of the current market.

Chair Pruhs requested Mr. Damjanovich explain the process banks and project developers undergo regarding the movement from new construction loans to final longer-term loans. Mr. Damjanovich explained construction loans occur either with a secured long-term loan exit strategy or without a secured long-term loan. Northrim structured this specific construction loan with a mini-perm phase. The developers are excellent long-term customers of the banks and were afforded the time to build the facility and experience the ramp-up and stabilization period.

Chair Pruhs inquired at what point during the lending process is it important for AIDEA to become aware of conceptual projects that may consider utilizing AIDEA as an additional long-term take-out loan financing source. Mr. Damjanovich stated as soon as the lending clients discuss the direction to pursue AIDEA, the bank prepares the pre-flight for AIDEA staff. Mr. Boutin commented on the importance of AIDEA knowing about potential requests as soon as possible because of the changing financial atmosphere at the State level. Chair Pruhs requested a timeframe guideline be developed regarding AIDEA's process from pre-flight to loan recommendation. Ms. Anderson stated the pre-flight approval notice takes 24 hours. The appraisal, underwriting, and application process then takes approximately 60 to 90 days to complete, at which time AIDEA performs its quote within three weeks and sends it to the Loan Committee.

Deputy Commissioner Samorajski requested, for future loan items, that staff provide a way to communicate what trade-offs are being taken by approving the individual loans. Likewise, for future loan items, he requested AIDEA consider and move in the direction whereby AIDEA rates match more closely the bank rates.

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

**7B. Resolution No. G19-10 Office Building Capital Work**

**MOTION: Mr. Kendig moved to approve Resolution No. G19-10 Office Building Capital Work. Motion seconded by Commissioner Anderson.**

Brenda Applegate and Rich Wooten provided an update regarding Resolution No. G19-10. Ms. Applegate noted the Board previously approved a resolution for \$329,600 as a multi-year IT capital budget appropriation. Some of those IT projects relate to the current first floor build-out. Some other IT projects were determined unnecessary. So far a savings of at least \$28,000 has been identified because the smart tables will not be purchased. The total cost savings is unknown at this time. Resolution No. G19-10 requests the IT money savings be utilized on the non-IT items in the current build-out, including safety work on the second floor.

Chair Pruhs asked if the phone system will still be replaced. Ms. Applegate stated yes a new phone system along with other IT items will still be completed.

Chair Pruhs asked when the build-out will be complete. Mr. Wooten stated the completion of the first floor; Phase I is estimated for the beginning of May, contingent on weight restrictions being lifted, but it could be as late as June 1, 2019.

Mr. Fogle inquired as to a cost estimate for the completion of the second floor; Phase II. Mr. Wooten stated he will provide the Board with the construction estimate document for Phase II.

Deputy Commissioner Samorajski asked if the earthquake damage repairs are complete. Mr. Wooten state the work on the west wall is primarily complete. The brick will be re-installed in May once the weather warms. Chair Pruhs commented on the possibility of additional work becoming necessary after break-up occurs and requested the engineers return to evaluate the building after the break-up season.

Deputy Commissioner Samorajski asked if we have a firm cost of savings. Terence Cato explained the original quote was from an approved State of Alaska vendor, AIDEA will go out and request quotes from additional vendors, and use less audio/video equipment in the room.

Curtis Thayer explained he has been working with Mr. Boutin regarding the building schedule. One of the issues being addressed is the lack of inclusion for boardroom furniture, such as a dais and chairs. Multiple IT vendors will be quoted to reduce the costs of the IT portion and IT installation. The resolution request is to be able to utilize savings for non-IT portions of the build-out and to remedy immediate second floor safety issues, such as an approved railing.

Deputy Commissioner Samorajski expressed his preference for a separate budget request to resolve the safety issues. Chair Pruhs commented the immediate life and safety concerns must be addressed now and the resolution provides staff the professional ability to reallocate the funds for this intent. The Phase II construction budget is a separate subject. Deputy Commissioner

Samorajski agreed the safety issues must be addressed now. He requested staff provide better communication regarding safety issues and other building needs that arise.

Mr. Thayer noted the parking lot sustained earthquake damage and the plan is to coincide the parking lot repairs with the burying of the power lines by Municipal Light & Power to hold the cost down.

Mr. Fogle inquired as to other anticipated repairs to the building other than the parking lot to include earthquake damage in the near future. Ms. Applegate stated the budget contains \$250,000 annually for minor capital improvements and repair. Mr. Wooten stated all the life and safety issues from the earthquake have been completed, all that remains is the cosmetic fixes. The only other non-earthquake concern may be the boiler. Ms. Sande requested staff provide a list of deferred projects and a list of anticipated capital improvement projects. Mr. Wooten agreed.

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

#### **7C. Mustang Operations Center (MOC1) Update by BRPC**

Bart Armfield provided an update on MOC1. Much activity is occurring in the field; pipeline installation, electrical and instrumentation, platform installation, trenching and pad work. Executed to two common carrier pipelines that run within 1,100 feet of the existing production pad. The remote electrical and instrumentation model was fabricated and constructed in Anchorage, then mobilized and installed at the production site.

Chair Pruhs inquired as to which AIDEA staff members work closely with BRPC. Mr. Boutin noted multiple staff interaction occurs and is dependent on the context. Staff specifically involved include Brenda Applegate, Alan Weitzner, Liz Greer, and Jerry Juday from Legal along with external consultant Mark Gardiner.

Mr. Armfield continued his presentation and described the timeline of the BRPC and AIDEA relationship beginning in 2013 with the successful \$30 million Mustang Road and production pad project (MRLLC). The production pad proved to be a very strategic piece of infrastructure to the region and was utilized by companies, including ConocoPhillips, Armstrong, and ASRC. The MOC1 project began in 2014, during the time in which oil was \$120 per barrel. Subsequently, oil prices decreased to \$30 per barrel, which constituted a revaluation of the project regarding fiscal burden. MOC1 evolved into the “warm standby” strategy and has grown to the current stages of the early production facility (EPF). Mr. Armfield described the well flow test executed in 2017 within the discovery area. The quality and productivity of the formation was determined and movement toward the EPF is ongoing. The ultimate plan is to transition out of the current MOC1 set-up to having Caracol Petroleum become owner of MOC1.

Mr. Armfield showed a graphic of the Alaska vendor employment field activity. Company revenues in Alaska were approximately \$18.9 million serving 59 Alaska vendor companies. The

pipeline is approximately a week-and-a-half away from being completed. The EPF production will begin at about 1,000 barrels a day. Drilling activity will occur mid-year to complete a well in the area that should generate 2,000 to 3,000 barrels of additional production. Other production wells will be drilled according to the Development Plan documents, to reach approximately 6,000 barrels a day by the end of the year. The total field development is about 17 wells, with an even number of producers and injectors. The projected capital injection is estimated at \$350 million.

Mr. Armfield expressed appreciation to AIDEA and staff for their efforts. BRPC will be the first small independent to progress from discovery to first oil production on the North Slope. This is an important impetus for additional exploration and development project activity in the State of Alaska. Mr. Fogle asked how AIDEA and the Board can assist with further industrial development. Mr. Armfield believes AIDEA should realize the crucial value the infrastructure provided to the development of the area and concentrate on ways to improve and access infrastructure.

**7D. Executive Session: Discuss confidential information related to Icy Strait Point II; I.T. Security; Ketchikan Shipyard; Mustang Operations Center (MOC1); FY20 Dividend; and Loan Participation Program**

**MOTION: Mr. Kendig moved to go into Executive Session to discuss confidential information related to Icy Strait Point II; I.T. Security; Ketchikan Shipyard; Mustang Operations Center (MOC1); FY20 Dividend; and Loan Participation Program. Motion seconded by Commissioner Anderson.**

Deputy Commissioner Samorajski noted for the record he will not participate in the discussion regarding the Mustang Operations Center.

The Board entered Executive Session at 1:17 p.m. Participants included board members Dana Pruhs, 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, Curtis Thayer, Brenda Applegate, Alan Weitzner, Jonathan Bloomquist, Terence Cato, Liz Greer, Rich Wooten, and guests, Russell Dick, Mark Gardiner, Tyler Hickman, Jerry Juday, and Glory Scarano.

The Board reconvened its regular meeting at 4:37 p.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

**8. DIRECTOR COMMENTS**

Mr. Boutin introduced Resolution G18-11A, which approves the extension of the maturity date on the debt owed by Mustang Operation Center 1, LLC to the Alaska Department of Revenue and authorizes the Authority to provide a guarantee of the debt and the purchase of the debt, and authorizes the Authority to increase the loan to Caracol Petroleum, LLC related to the sale of the Authority's interest in Mustang Operation Center 1, LLC and Mustang Road, LLC by an amount not to exceed \$10 million, all in support of the Mustang Oilfield Development project.

Chair Pruhs stated the resolution will be discussed at the April 22, 2019 telephonic Board meeting at 9:00 a.m.

Mr. Boutin stated the dashboard, loan, delinquencies-to-outstanding reports, IFD & PFAM project matrices and fact sheets were included in the Board packet. Please contact Ms. Siverson regarding the continuing education calendar. He is available if anyone has any questions.

AIDEA Board next regularly scheduled meeting Wednesday, May 22, 2019.

#### **9. BOARD COMMENTS**

Mr. Fogle expressed appreciation to staff for their efforts. Mr. Boutin also commended staff and thanked Mr. Thayer for his collaboration.

Ms. Sande echoed the appreciation.

Chair Pruhs thanked staff, Board members, and Mr. Boutin, specifically for his focused efforts in Juneau.

#### **10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 4:43 p.m.



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