



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Wednesday, May 22, 2019**  
Anchorage, Fairbanks, and Ketchikan, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on May 22, 2019, at 10:06 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]); Bill Kendig (Public Member); and Greg Samorajski (Deputy Commissioner, Department of Revenue [DOR]).

Members present via teleconference: Bernie Karl (Public Member) and Julie Sande (Public Member).

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

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

Public: David Bennett (Alaska USA FCU); Russell Dick and Glory Scarano (Huna Totem Corp. [HTC]); Shawn Florio (HDR); John Harris and Tom Maloney (AHTNA); Andrew Ingram (Twenty Eight Inv.); Jerry Juday (Department of Law); Ladonna Lindley (Accu-Type Depositions); John Moosey (Matanuska-Susitna Borough); Joe Moran and Sue Wolfe (Northrim Bank); and JR Wilcox (PBC).

Public present via teleconference: Robin Brena (RSD Properties); Cameron Johnson (H5Construction); and Bernie Smith (public).

**4. AGENDA APPROVAL**

The agenda was approved as presented.

## **5. PUBLIC COMMENTS**

There were no public comments.

## **6. PRIOR MINUTES - April 17, and April 22, 2019**

The minutes of April 17, and April 22, 2019 were approved as presented.

## **7. NEW BUSINESS**

### **7J. A2A Project Presentation**

Tom Boutin introduced Matanuska-Susitna (Mat-Su) Borough Manager John Moosey to present the Alberta to Alaska Railway (A2A) Project. Mr. Moosey explained the purpose is to connect the Canadian Rail Line to the Alaska Rail Line with the terminus at Port McKenzie. The line will come from Fort Nelson and connect at Eielson. The Alaska Railroad Corporation and the State of Alaska are involved in the project. The Mat-Su Borough is involved in the project at Port McKenzie with the goal of a resource development port. The State of Alaska and Mat-Su Borough have invested \$184 million in the Port McKenzie rail extension. An additional \$125 million is needed for completion. Mat-Su has applied for a \$25 million federal INFRA Grant for the project. The total A2A project cost is estimated between \$13 and \$14 billion.

Mr. Moosey explained the railroad extension will reduce the transportation costs of commodities and resources. The project is a general freight rail line with cargo going in and out. The challenge is to monetize the ship traffic in both directions. The project was borne out of necessity to transport bituminous sands from Canada.

Mr. Moosey noted ship traffic from the Far East is locked up on the West Coast. The ports are over-capacity and his understanding is ships sit in the ocean for a week to 10 days waiting to get into port to deliver the goods. This A2A project is estimated to get the product to Chicago about four days sooner than the current delivery time. There is also pressure on the West Coast ports to relocate or shrink their footprint because of the growing economy and residential property demands.

Mr. Moosey conveyed there is an estimated \$750 billion worth of minerals within 100 miles of the Alaska Rail corridor. The challenge is the time it takes for mines to open because of the environmental concerns and State requirements. He believes the completion of Port McKenzie rail will open financially viable markets to move product out of the state.

Mr. Moosey described the Port McKenzie dock space. It is 15 acres. The trestle is 60 feet at low tide and the base of the dock is 20 feet at low tide. There are 14 square miles of industrial space, which is ideal for future industrial development. The port is available now for all sizes of ships, including large container ships. The intention is for resource development. Port McKenzie is not expected to compete with the Port of Alaska. No dredging is necessary because it is self-scouring. There have been no issues with the strong current and the tide issues are no different than those experienced at the Port of Alaska. The expansion will include an angle realignment of the trestle.

Mr. Moosey continued the presentation noting the capability for expansion of three additional trestles to the south and two additional trestles to the north is available once a user is secured to provide the

necessary design. Mat-Su Borough has control of the tidelands in the area. The Mat-Su Borough is open to any proposals. The goals include expanding the Mat-Su Borough commercial industrial tax base, creating local jobs, and developing a vibrant economy.

Deputy Commissioner Samorajski believes the Port McKenzie build-out could have additional advantages, including Anchorage manufacturers who could utilize the port facility. He inquired if the envisioned railroad is the way for Anchorage businesses to access Port McKenzie or if a bridge would have to be constructed. Mr. Moosey believes a bridge would be necessary. There are currently no plans to construct a rail line across Cook Inlet. The rail distance from Anchorage to Port McKenzie is approximately 100 miles. Chair Pruhs commented the historic development progression is railroads first, followed by roads.

Mr. Karl commented this project is overdue and meets the Governor's criteria in size and helping Alaska's economic future.

Chair Pruhs inquired as to why Prince Rupert or Vancouver are not bringing Canadian product to market. Mr. Moosey believes the ports have environmental concerns that restrict this type of project from moving forward. Canadian permits still have to be processed for the A2A project. Chair Pruhs requested additional information regarding the governance of the port through Mat-Su Borough. Mr. Moosey explained the Mat-Su Borough Assembly hires a manager, who is responsible for the operation of the port. The tariff rate and fees will be set by the Assembly. Mr. Moosey noted there is a political risk. The confidence will be established in the agreement between the Mat-Su Borough and the project owner/developer. Mr. Moosey believes it would make sense to create a port authority that controls both Port of Alaska and Port McKenzie and manage those as a business. He feels there is too much competition when going to the legislature to ask for things for fear of potential competition between the ports.

Chair Pruhs asked if Mr. Moosey anticipates a public/private partnership approaching AIDEA for investments on certain aspects of the port in coordination with A2A. Mr. Moosey does not believe the rail project will produce AIDEA requested investments. After the rail is complete, Mr. Moosey believes business and development opportunities will arise that could utilize AIDEA's resources.

#### **7I. Resolution No. G19-14 Duck Point Development II (Icy Strait Point Phase 2)**

Chair Pruhs stated he has a business interest in HTC and will abstain from discussion and voting on Resolution No. G19-14.

Mr. Boutin requested Alan Weitzner describe Resolution No. G19-14, a \$15 million loan to be provided to a HTC subsidiary Duck Point Development II for the new dock at Icy Strait Point and the uplands associated with the dock. The loan is comprised of \$9 million for the construction of the initial development of the uplands and \$6 million for capital expansion funding. The terms are summarized in the memorandum. Confidential financial information has been included in member's packets. Staff recommends approval of Resolution No. G19-14.

Mr. Weitzner explained HTC has entered into a partnership with Norwegian Cruise Lines, including the preferred use of a new berth being developed at Icy Strait Point Phase 2. The dock is currently in development. The purpose of the loan is to initiate the construction of additional improvements,

including a new welcome center and an on-load/off-load bus turnaround center. The one-year availability for construction financing would convert into a term loan for a maximum term period of 17 years. The structure of further expansion would be evaluated on the same parameters of the initial loan, and maintain the identical maturity date of December 31, 2037.

Deputy Commissioner Samorajski inquired as to the development of the term and requested an explanation of sculpted amortization. Mr. Weitzner noted the initial request was for a 20-year term loan. Staff based the term loan date on the contracted revenues held for the dock. Sculpted amortization is based on the revenue stream from the underlying agreements. The quarterly payments are split equally for interest and principal. The minimum debt service coverage ratio is set at 1.4:1. AIDEA's minimum debt service coverage is 1.25:1.

**MOTION: Mr. Kendig moved to approve Resolution No. G19-14 Duck Point Development II (Icy Strait Point Phase 2). Motion seconded by Commissioner Anderson.**

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

**7A. Loan Resolution No. L19-03 RSD Properties, LLC - Lake Otis**

Mr. Boutin invited Chris Anderson to present Loan Resolution No. L19-03. Ms. Anderson stated the next three loan requests have common ownership and will contain information overlap. The purpose of this loan is to refinance existing debt of a medical office building in the U-Med district in the amount of \$3.285 million. That participation rate with Alaska USA is 90/10. The rate is fixed for 25 years.

The guarantor and managing member is Robin Brena. He is an experienced commercial real estate owner and successful businessman. The market value of the property is appraised at \$5.4 million. The loan to value is 68%. The debt service coverage is above the minimum at 1.70:1. There is currently related debt in the amount of \$1,317,021, which will be paid off with the loan participation requests. Assuming approval of all three requests, the outstanding balance would be \$7,146,000 to RSD Properties, LLC. There are no known environmental issues. There are no jobs created with this request. Staff recommends approval of the resolution.

Chair Pruhs invited David Bennett from Alaska USA FCU, to join the presentation. Chair Pruhs requested Mr. Bennett provide a market overview of Alaska's economy and real estate values. Mr. Bennett noted business owners have been optimistic during the last six to 12 months. The oil and gas sector has increased activity. Real estate values are steady and remain flat with low buy/sale activity. Vacancies have risen slightly. Mr. Bennett noted the long-term below bank market fixed interest rates that AIDEA is able to offer is very attractive to real estate owners. This is a great opportunity for the guarantor to take some of his debt and get the long-term rates and certainty to improve the cash flow on the properties. Alaska USA does not offer 25-year fixed interest rates. The longest commercial rate Alaska USA offers is a five-year adjustable rate, at approximately 4.5% or 5%. The amortization period can go up to 25 years with a 15-year call on commercial real estate. Ms. Anderson stated the three resolutions are debt restructuring. There is no equity extraction.

Chair Pruhs inquired as to the section in the memo noting the Alaska USA term is 15 years and the structure is fixed for 15 years. Ms. Anderson apologized for the typographical error indicating the structure is fixed for 15 years. The correct structure of the rate is variable. The resolution wording is correct and should read the structure is variable for 15 years.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-03 RSD Properties, LLC – Lake Otis. Motion seconded by Commissioner Anderson.**

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

**7B. Loan Resolution No. L19-04 RSD Properties, LLC - 2nd Avenue**

Mr. Boutin stated staff recommends approval of Loan Resolution No. L19-04. This is a 90/10 loan participation with Alaska USA on \$1,746,000 refinance of an office building in Anchorage at a 25-year fixed rate.

Chair Pruhs noted for the record the memorandum incorrectly states the bank rate is fixed for 15 years. Ms. Anderson said all three memorandums incorrectly state fixed rates for the bank terms.

Ms. Anderson reviewed the specifics of the resolution. The property is also owned by Mr. Brena in the downtown business district. There is no job creation with this refinance. The management and related debt are the same as the previous resolution. The collateral is appraised at \$2,800,000. The loan to value is 69% and the debt service coverage is 1.69:1. There are no environmental issues and no extraordinary risks, beyond typical real estate market risk. The overall vacancy rate in the area is approximately 11%. Ms. Anderson has visited all three related properties over the years.

Chair Pruhs asked if the same appraiser was used for all three properties. Ms. Anderson agreed. Chair Pruhs inquired if it would be an appropriate risk management for AIDEA to request the sponsoring lenders to utilize different appraisers, as a matter of policy, when multiple property resolutions for the same guarantor come before the Board. Ms. Anderson stated staff reads and analyzes all appraisals. Mr. Boutin believes Chair Pruhs' request has merit and is worth discussing and considering in order to prevent problems.

Deputy Commissioner Samorajski asked if Alaska USA would be able to finance this loan at 100% at a five-year variable rate. Mr. Bennett agreed.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-04 RSD Properties, LLC – 2<sup>nd</sup> Avenue. Motion seconded by Commissioner Anderson.**

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

**7C. Loan Resolution No. L19-05 RSD Properties, LLC - N Street**

Mr. Boutin advised staff recommends Loan Resolution No. L19-05. This is a 90/10 loan participation with Alaska USA on \$2,115,000 refinance of an office building in Anchorage at a 25-

year fixed rate. Ms. Anderson corrected the memorandum, whereby Alaska USA's structure should be a 15-year variable rate and not a fixed rate. The guarantor and managing member is Mr. Brena. There are no jobs created. The property is appraised for \$3,450,000. The loan to value is 68%. The debt service is 1.66:1. There are no known environmental issues. This office has added amenities of a Cook Inlet view and workout facilities in the building.

Ms. Anderson noted the guarantor continues to have strong financial support. There are no extraordinary risks, beyond typical market cycles. The diversification in AIDEA's portfolio for this type of property is under 22%.

Chair Pruhs asked if the loan committee undergoes a different governance process for a borrower with multiple project requests. Mr. Boutin stated the loans are reviewed individually. Ms. Anderson noted it is not common for AIDEA to receive multiple requests from the same borrower. The requests are reviewed and underwritten separately, with the obvious overlap from the guarantor.

Chair Pruhs asked for the difference in vacancy rates between "A" office space and "B" office space. Mr. Bennett believes the vacancy rate for "A" office space is about 13% to 14%, and the vacancy rate for "B" office space is a couple percentage points lower, for an average of about 11% for both "A & B" office space. Chair Pruhs requested the vacancy rate analysis reflect only "B" office space when the request is for "B" office space. Mr. Boutin agreed.

Deputy Commissioner Samorajski asked Mr. Bennett if AIDEA were to charge for their 25-year fixed rate the same rate Alaska USA is charging for their five-year variable rate, would Alaska USA be able to underwrite their portion of the loan. Mr. Bennett agreed.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-05 RSD Properties, LLC – N Street. Motion seconded by Commissioner Anderson.**

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

**7D. Loan Resolution No. L19-06 Sun Mountain Development Group, LLC - Unit A (Planet Fitness)**

Mr. Boutin stated the next three resolutions have similarities with location and the underwriting bank. They are all new construction of different buildings within the same development location. Staff recommends Loan Resolution No. L19-06. This is a 90/10 loan participation with Northrim Bank on \$3,847,000 for a newly constructed fitness center in Wasilla. Ms. Anderson noted the borrower is Sun Mountain Development Group, LLC. There are multiple guarantors. Chair Pruhs invited Sue Wolfe from Northrim Bank to join the presentation. Ms. Anderson noted 125 construction jobs will be associated with this first project and 25 new permanent jobs will be created. The principal owners are seasoned commercial real estate owners and successful business people. AIDEA will take a first deed of trust. The property is appraised at \$5.7 million. The loan to value is at 75%. The debt service coverage is 1.48:1.

Chair Pruhs asked Ms. Wolfe what percentage of Northrim Bank's commercial loan portfolio is brought to AIDEA. Ms. Wolfe stated she does not know the percentage. She informed most of the

borrowers and developers for new construction projects prefer AIDEA because the fixed interest rate structure assists the borrower in managing cash flow.

Deputy Commissioner Samorajski asked Ms. Wolfe if AIDEA's 25-year term is more advantageous or if the low fixed interest rate is more advantageous, and separately, if Northrim Bank would have had the capacity to approve this entire loan. Ms. Wolfe stated Northrim has capacity to approve the entire loan, however, this particular borrower has an ongoing relationship with Northrim for future development and will reach capacity at some point. Ms. Wolfe noted Northrim does not offer a fixed rate at a 25-year term. The typical maximum term is 10 to 15 years and the rate is fixed at three to five-year increments. Both AIDEA's 25-year term and fixed interest rate are advantageous to the borrower.

Ms. Anderson described the related debt the guarantors for the three resolutions currently maintain with AIDEA. If all is approved, the total outstanding would be \$10,956,825. Ms. Anderson noted the guarantors have strong financial support. There are no known environmental issues. The area has two other major health clubs. The Planet Fitness franchise has a proven business model. The Mat-Su population continues to grow. The tenant lease is for 10 years, with two five-year options. The franchisees will personally guarantee the lease. The statewide portfolio diversification in retail is about 21%. Staff recommends approval of this credit.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-06 Sun Mountain Development Group, LLC – Unit A (Planet Fitness). Motion seconded by Commissioner Anderson.**

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

**7E. Loan Resolution No. L19-07 Sun Mountain Development Group, LLC - Unit E (Sonic)**

Mr. Boutin recommends approval of Loan Resolution No. L19-07. This is a 90/10 loan participation with Northrim Bank on \$1,017,000 at a 20-year fixed interest rate. The location is the same as the previous resolution. Ms. Anderson explained the fast food restaurant Sonic will be constructed, creating 115 construction jobs and 45 permanent jobs. The state franchise agreement consists of two of the principals in Sun Mountain Development Group. The day-to-day operations of the restaurant will be delegated to another individual.

AIDEA would take a first deed of trust. Ms. Anderson noted the property was appraised at \$2,260,000. The loan to value is 50%. The debt service coverage is 2.35:1. The related debt is the same as the previous resolution. There are no known environmental issues. The overall vacancy rate for restaurant type properties in Wasilla is between 4% and 8%. The outlook for the continuance of high occupancy levels for these types of properties is well designed and located with competitive rental rates. The lease is for 10 years, with two five-year options. The business model for Sonic is successful. The statewide portfolio in the restaurant space would increase to 2.6% with this approval.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-07 Sun Mountain Development Group, LLC – Unit E (Sonic). Motion seconded by Commissioner Anderson.**

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

**7F. Loan Resolution No. L19-08 Sun Mountain Development Group, LLC - Unit C (MTA - Krispy Kreme)**

Mr. Boutin recommends approval of Loan Resolution No. L19-08. This is a 90/10 loan participation on \$2,144,700 at a 20-year fixed interest rate. The Wasilla location is the same as the previous resolution. The tenants are in place and the retail building is shared between MTA and Krispy Kreme. There will be 125 construction jobs associated with the project and 25 new permanent jobs. AIDEA will take a first deed of trust.

Ms. Anderson stated the property was appraised at \$3,740,000. The loan to value is 64%. The debt service coverage is 1.68:1. The related debt is the same as the previous two resolutions. There are no known environmental issues. The lease on the property is 10 years, with two five-year options. Krispy Kreme is known as a successful franchise. The outside financial support is strong. There are no extraordinary risks, beyond typical market cycles. The statewide portfolio is about 21% retail.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-08 Sun Mountain Development Group – Unit C (MTA-Krispy Kreme). Motion seconded by Commissioner Anderson.**

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

**7G. Executive Session:**

**MOTION: Commissioner Anderson moved to go into Executive Session to discuss confidential information related to the North Slope Pad; confidential personnel issues and attorney/client communications. Motion seconded by Mr. Kendig.**

The Board entered Executive Session at 12:15 p.m. Participants included board members Dana Pruhs, Bernie Karl, Julie Anderson, 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, Liz Greer; and guests, John Harris; Jerry Juday, Tom Maloney, and JR Wilcox.

The Board reconvened its regular meeting at 1:56 p.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

**7H. Resolution No. G19-13 North Slope Pad**

Mr. Boutin requested Resolution No. G19-13 be removed from the agenda today and placed on an agenda for a subsequent meeting. There was no objection to the removal of Resolution No. G19-13. Chair Pruhs noted the item will return to the agenda at a future date determined by staff.



**8. DIRECTOR COMMENTS**

Mr. Boutin announced the new organization chart. The main changes include the external communication, press, and legislative representative Karsten Rodvik becomes part of shared services. IT has also been moved directly to shared services.

There is a page in the Dashboard Report devoted entirely to the SETS loan and IGU. Developments have occurred and Mr. Boutin will send a memo to members regarding the update. Chair Pruhs noted executive session is an appropriate time to update members on IGU.

AIDEA Board will meet for a regularly scheduled meeting Wednesday, June 26, 2019, following the AEA meeting.

**9. BOARD COMMENTS**

Mr. Karl expressed appreciation to staff for the effective meeting preparation. He thanked Mr. Rodvik for handling requests and keeping the Board informed.

Chair Pruhs echoed Mr. Karl's remarks.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 2:00 p.m.



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