



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, June 26, 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 June 26, 2019, at 1:05 p.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner, Department of Revenue [DOR]); Julie Anderson (Commissioner, Department of Commerce, Community, and Economic Development [DCCED]) joined the meeting at 1:38 p.m.

Members present via teleconference: Vice-Chair Bernie Karl (Public Member); and Julie Sande (Public Member).

Absent: Albert Fogle (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); Alan Weitzner (Chief Investment Officer, Project Finance & Asset Management [PFAM]); Jen Bride (Finance Systems Analyst); Yulia Ellsworth (Assistant CFO/Controller); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Officer); Lex Sargento (Chief Procurement Officer); Linda Senn (Human Resources Manager); Sam Tappen (Infrastructure Development Officer); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Public: Fred Baruch and Dan Blanchard (UnCruise Adventures); John Faulkner (Land's End); Ladonna Lindley (Accu-Type Depositions); Michael Martin, Joe Moran, and Phil Reid (Northrim Bank); Stefan Saldanha (Department of Law); Graysen Spiller (Orion); and Andre Spinelli (Spinell Homes).

4. AGENDA APPROVAL

Tom Boutin requested to move Item 7B. to after Item 7E. The agenda was approved as amended.

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES - May 22, 2019

The minutes of May 22, 2019 were approved as presented.

7. NEW BUSINESS

7A. Loan Resolution No. L19-09 Debora LLC

Mr. Boutin invited Chris Anderson to present Loan Resolution No. L19-09. Ms. Anderson stated the loan participation with Northrim Bank is 90/10. AIDEA's loan amount is \$3,010,500 for a 25-year fixed rate and a 20-year rate of 3.48%. Northrim's loan amount is \$334,500 at a 10-year term with a three-year variable rate. The guarantors are Chuck and Jackie Spinelli of Spinell Homes and their associated trusts. The use of AIDEA proceeds is to pay off the construction financing for the new Planet Fitness in Eagle River.

Ms. Anderson noted 100 construction jobs and 20 permanent jobs are supported with the new business. The property will be professionally managed by the franchisees. The borrower will have responsibility of the maintenance of the exterior of the building and the tenants will maintain the majority of the property. AIDEA will take first deed of trust position on the collateral. The collateral was appraised by North Pacific Advisors at \$4,860,000, which is a 69% loan to value and within AIDEA guidelines. The proposed debt service coverage is above AIDEA's minimum at 1.63:1.

Ms. Anderson stated the borrower has related debt with AIDEA consisting of one outstanding loan balance of \$2,008,490.13 for an urgent care facility in Wasilla. The accumulated AIDEA debt, if this loan were approved, would be \$5,018,990.13. Confidential financial information was sent to board members under separate cover. No environmental issues are known. The Eagle River market currently contains two major health clubs. The Wasilla area market also contains two major health clubs. There are three Planet Fitness locations in Anchorage, which will assist in creating the market in Eagle River. Ms. Anderson advised the note in the memorandum stating Spinell Homes is the contractor is in error. Spinell Homes is the developer and Howdie Inc. is the contractor.

Ms. Anderson highlighted the strengths which include professionally managed property, new construction, low loan-to-value, well-known developers, Planet Fitness name recognition, and good site location in a growing community. There are no extraordinary risks beyond the typical market risk. As of March 31, 2019, the AIDEA portfolio contained 45.87% in the Anchorage region and would increase to 46.25% with participation of this loan. The statewide portfolio consists of 20.01% in the retail industry and would increase to 20.56%. Staff recommends the credit for approval.

Deputy Commissioner Samorajski inquired if the Anchorage Planet Fitness memberships will include access to the Eagle River Planet Fitness location. Joe Moran explained individual membership structure determines access to multiple or single locations.

Deputy Commissioner Samorajski asked for additional information regarding Northrim Bank's motivation for seeking an AIDEA loan for this property. Ms. Anderson stated motivation is generally from the borrower. She requested Mike Martin provide additional information. Mr. Martin noted loan participations with AIDEA are the best financing options for Northrim customers due to the tremendous benefits of substantially lowering the interest rate and virtually eliminating interest rate risk with a 25-year fixed term.

Deputy Commissioner Samorajski inquired as to whether or not Northrim Bank would finance this loan 100% if AIDEA did not have the low interest fixed rate available. Mr. Martin stated he does not know that level of credit information. Chair Pruhs noted Northrim Bank cannot provide proprietary financial information in a public session.

Chair Pruhs asked Ms. Anderson if she is privy to the agreement between the borrower and the franchisee. Ms. Anderson asked Bill Phelan to answer. Mr. Phelan stated the standard operating procedure is to review the documents related to the tenant and their association with the property. He believes the initial tenant lease is 10 years and expects the franchise agreement to be at a minimum of 10 years. Chair Pruhs suggested the commitment agreement be included in the narrative that members receive in the future.

**MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-09 Debora LLC.
Motion seconded by Deputy Commissioner Samorajski.**

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

7C. UnCruise - presentation

Alan Weitzner invited Dan Blanchard and Fred Baruch of UnCruise Adventures forward for their presentation. Mr. Weitzner stated Mr. Blanchard and Mr. Baruch were initial resources in formulating the statewide Alaska Ship Home-porting for Improvements Program (AK Ship) program. Mr. Blanchard began the presentation highlighting the adventure travel business is the fastest growing sector of the world travel industry with up to 16% growth annually. This trend has reached Alaska tourism. UnCruise Adventures is an Alaska company based out of Juneau with offices in Seattle. The company was established in 1996. There are 425 employees, of which 350 are paid out of Juneau.

Mr. Blanchard reviewed the company's history of development and key investors. Currently, UnCruise Adventures brings approximately 7,000 adventure tourists to Alaska each year. Trips highlight access to Alaska wilderness and include snorkeling, paddle boarding, and kayaking. Approximately 75% of the annual revenues are based out of Alaska and about \$15 million is focused in Southeast Alaska. The intent is to successfully increase the Southeast Alaska exposure as relations with Vigor and AIDEA are nurtured. Mr. Blanchard described the nine vessels owned, leased, and chartered by UnCruise Adventures.

UnCruise Adventures has a prolonged six-month operating season between April 6 and October 6 each year and focuses on a unique Alaska Awakening experience for visitors. The plan is to expand to Prince William Sound in 2021, and out to the peninsula and Aleutian Chain by 2022. Mr. Blanchard described the company's active advisory board. He stated UnCruise Adventures had maintenance work completed in the Ketchikan yard all winter and had a positive experience. The shipyard facilities are excellent and the quality is very high. The safety mentality is strong and the labor force is well-qualified. There is reasonable housing available for crew. The challenges are mostly minor and have remedies in place. A couple of examples are; there are no marine chemists; and certain mechanical ship parts are difficult to source in Ketchikan. The higher cost to repair the vessel in Ketchikan is at a comparable breakeven point when considering the costs of moving the vessel to Seattle or elsewhere for repair. The biggest challenge is no wet dock in Ketchikan to provide maintenance in non-haul-out years.

Mr. Blanchard believes AIDEA can assist Vigor with inexpensive wintertime financing to aid cash flow. Additional marketing strategies can be implemented to communicate the shipyard is both a construction shipyard and a repair and maintenance shipyard. The increase of reasonable moorage is critical and valuable.

Ms. Sande expressed appreciation for the presentation and the positive comments regarding interactions with the Ketchikan shipyard.

Discussion occurred regarding the consistent name of the program. Mr. Weitzner noted the agreements define the name as the Ketchikan Shipyard. Alaska Ship and Dry Dock was the company acquired by Vigor as the operator. Ms. Sande believes the name Alaska Ship and Dry Dock is generally agreed upon in the community. Mr. Weitzner stated the upcoming Resolution No. G19-15 needs to be amended to reflect the Alaska Ship and Dry Dock name.

7D. Resolution No. G19-15 AK SHIP Project

Mr. Boutin stated the Board has previously reviewed the program. Mr. Weitzner summarized Resolution No. G19-15 is a proposal to allocate \$10 million of the revolving fund over a three-year trial period to the Alaska Ship Home-Porting for Improvements Program, entitled AK SHIP. The entire finance program would be subject to a minimum annual review by the Board. Each financing would undergo the established regulatory process for application and consideration, as well as submission and review by the Investment Committee, with the ultimate recommendation to the Board for subsequent approval.

The program's minimal level for participation is \$150,000, with a cap of \$1.5 million. The market rate terms are based upon the credit worthiness of the vessel owner, the operations, and the effective collateral value of the underlying vessel. A full regional market study is being performed by staff. Terms could be in the range of prime to prime plus 200 basis points.

Mr. Karl expressed support of the resolution. He feels this project reflects the Administration efforts to facilitate work development in the state of Alaska by Alaskans. He enjoyed the presentation.

Ms. Sande expressed support of the resolution. She appreciated staff's work thus far. Ms. Sande made a recommendation for increased marketing and requested staff collaborate with the partners to assist in the development of a marketing program.

Chair Pruhs noted the tremendous vessel expenses encountered by the Mat-Su Borough in the recent past. He inquired as to the appropriateness of the maximum loan to value (LTV) of 75%. He expressed caution regarding the high operating costs and daily storage costs for this niche vessel business. AIDEA will be taking the second loan position in these transactions. Mr. Weitzner noted the review will include the most recently available marine survey and an appraisal. An independent third-party will be utilized when necessary. The current market terms are being used for the LTV amount. The anticipation is the LTV will be substantially lower than the maximum of 75%. Mr. Boutin believes the question and concerns posed by Chair Pruhs are valid. He explained each individual transaction has to be strong and adequate. Chair Pruhs expressed support for the program and encouraged sensitivity to the LTV issues.

Mr. Weitzner stated, based upon the current statutes and definition of the program, the Ketchikan shipyard will immediately be eligible. There are four or five other shipyards in Alaska who are able to service commercial industrial vessels and could eventually utilize this program.

MOTION: Deputy Commissioner Samorajski to approve Resolution No. G19-15 AK Ship project. Motion seconded by Mr. Kendig.

MOTION: Deputy Commissioner Samorajski moved to revise the name of the Ketchikan Shipyard name in Resolution No. G19-15 to "Alaska Ship and Dry Dock." Mr. Kendig seconded the friendly amendment. The motion to amend passed without objection.

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

Mr. Boutin requested Item 7H. be postponed to the August Board meeting. There was no objection.

7E. Executive Session: North Slope Pad, BlueCrest, Interior Energy Project

MOTION: Mr. Kendig to go into Executive Session to discuss confidential information related to the North Slope Pad, BlueCrest, and the Interior Energy Project. Motion seconded by Commissioner Anderson.

The Board entered Executive Session at 2:30 p.m. Participants included board members Dana Pruhs, Bernie Karl, Julie Anderson, Bill Kendig, Greg Samorajski, and Julie Sande. AIDEA staff and guests invited to join the session, at different times, for related topics: Tom Boutin, Brenda Applegate, Alan Weitzner, and guest Stefan Saldanha.

The Board reconvened its regular meeting at 3:31 p.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

7B. Loan Resolution No. L19-10 Land's End Acquisition Corporation

Deputy Commissioner Samorajski requested permission to recuse himself from both the discussion and vote on Loan Resolution No. L19-10 because of a personal relationship and potential conflict of interest. There was no objection.

Mr. Boutin stated Ms. Anderson is on her way back to the meeting. Chair Pruhs invited Phil Reid of Northrim Bank to answer questions until Ms. Anderson arrives. Chair Pruhs asked Mr. Reid if there is currently a construction loan. Mr. Reid stated a construction loan is in place and construction is underway. Chair Pruhs asked if it says what the rates are. Mr. Boutin stated AIDEA's fixed rate is at 3.48%, this information is located at the bottom of AIDEA's credit presentation.

Ms. Anderson arrived and stated the loan request is for Land's End Acquisition Corporation. The participation is split 90% by AIDEA in the amount of \$4,230,000, and 10% by Northrim Bank in the amount of \$470,000. The term is 22.5 years. The guarantors are John and Sara Faulkner, personally, as well as their Trust, and Steve Agni. The term financing is for a 33-room expansion of the Land's End Resort in Homer. The loan request creates 48 construction jobs and eight new permanent jobs. Mr. and Mrs. Faulkner have successfully developed and managed the project since its acquisition in 1988, and will continue the management. The resort is in an excellent location.

AIDEA would take a first deed of trust on the collateral. The appraisal was performed by North Pacific Advisors and came in at \$13.5 million. The loan to value is low at 35%. The debt service coverage is 4.01:1. A UCC filing is required on furniture, fixtures, and equipment (FF&E), as well as the creation of a FF&E reserve recommended by the appraiser. The related debt on this credit is with Mr. Agni regarding O'Malley Ice and Sports Center, LLC, in the amount of \$6,642,260. The loan is current and has paid as agreed since inception. AIDEA has five paid-as-agreed loans to all the borrowers totaling \$12,940,000. Confidential financial information was sent to board members under separate cover.

AIDEA sees no environmental issues with the property. Chair Pruhs asked if staff has visited the property. Ms. Anderson stated staff has not visited the property. Chair Pruhs stated staff previously agreed to perform a site inspection on all recommended loans above \$1 million. Ms. Anderson and Mr. Boutin concurred. Ms. Anderson noted the approval of the resolution will be subject to staff's successful site inspection of the property.

Ms. Anderson noted the seasonal hotel and tourism market in Homer occurs primarily between May 15 and September 15. There are presently 11 hotels/motels with an inventory of 335 rooms. Expansion this summer with this project and one other will increase the inventory by 104 rooms. The only perceived weakness is the primary revenue from the project comes from seasonal

tourism. Mitigating this risk includes the very low debt service requirements, the collateral's unique location, and the positive growth trend in Alaska tourism.

Ms. Anderson noted the statewide portfolio in the Gulf region will increase from 4.4% to 5.3%. The statewide tourism type properties in the portfolio would increase from 11.4% to 12.2%. The Gulf region tourism type properties would increase from 54.1% to 62.5%. Staff recommends this loan for approval.

MOTION: Mr. Kendig moved to approve Loan Resolution No. L19-10 Land's End Acquisition Corporation. Motion seconded by Commissioner Anderson.

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

7F. Resolution No. G19-13 North Slope Pad

Mr. Boutin stated Resolution No. G19-13 provides for a payment to Alaska Department of Natural Resources (DNR) for the gravel on the North Slope Pad (NSP) and lease payments. The resolution allows AIDEA to continue negotiations for the intended chemical plant and additional private sector uses of the pad.

Mr. Karl noted he will vote in favor of this resolution, but he does not agree AIDEA should have to pay DNR for the gravel because it is another State agency.

Mr. Boutin stated Commissioner Anderson has contributed to AIDEA's favorable condition with DNR. Chair Pruhs echoed the remark.

MOTION: Mr. Kendig moved to approve Resolution No. G19-13 North Slope Pad. Motion seconded by Commissioner Anderson.

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

7G. Resolution No. G19-17 Approving Amendment to Loan Agreement with BlueCrest Alaska Operating LLC and Co-Borrowers

Mr. Boutin stated Resolution No. G19-17 favorably modifies the current BlueCrest loan agreement as described in the memorandum. There were no questions.

MOTION: Mr. Kendig moved to approve Resolution No. G19-17 Approving Amendment to Loan Agreement with BlueCrest Alaska Operation LLC and Co-Borrowers. Motion seconded by Deputy Commissioner Samorajski.

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

7H. Resolution No. G17-19A Approving a Navision System Upgrade with Server Upgrade

Postponed until the August 7, 2019 Board meeting.

7I. Interior Energy Project

Mr. Boutin stated Resolution No. G19-12 Authorizes a Loan of up to \$10 Million to the Interior Gas Utility (IGU) from the SETS fund. The SETS fund currently has a balance of \$17.2 million. This is a coordinated loan with a commercial bank.

MOTION: Mr. Kendig moved to approve Resolution No. G19-12 Authorizes a Loan of up to \$10 Million to the Interior Gas Utility from the SETS fund. Motion seconded by Commissioner Anderson.

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

8. DIRECTOR COMMENTS

Mr. Boutin reviewed the 21% increase in the loan portfolio from July 1, 2018 to May 31, 2019, shown on the loan dashboard report. This activity is consistent with the Governor's economic direction. The impacts of AIDEA are diversified throughout the state.

Chair Pruhs noted at one time the Board received a report regarding projects that are potentially on the docket and their status of consultation. Ms. Siverson stated it was a report Mike Catsi did but it wasn't included in the Board packet. Mr. Boutin stated if the Board want us to continue to do that we will do it. Mr. Weitzner stated the listing of active projects and their phase of application is available, as well as the status of projects that are on-hold. Mr. Boutin agreed to provide the information.

Deputy Commissioner Samorajski noted the southwest region has low AIDEA loan participation. He encouraged additional consideration of possible ways to direct funding to the southwest.

The next scheduled AIDEA board meeting is Wednesday, August 7, 2019.

9. BOARD COMMENTS

Ms. Sande expressed appreciation to staff for their diligent work.

Mr. Karl echoed the appreciation to staff in their accomplishments since the previous meeting. He was pleased with the assistance to IGU that passed today.

Mr. Kendig complemented Mr. Boutin, Ms. Anderson, and staff for their efforts, and to the Board members for their engaged focus.

Commissioner Anderson informed she met with Tanana Chiefs in Fairbanks regarding the Ambler Road and they complimented Jeff San Juan on outreach efforts.

Chair Pruhs thanked staff for their hard work in preparation of today's meeting. He expressed appreciation to the Board for their attendance and patience through the long day of meetings.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 4:07 p.m.



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