



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
February 2, 2012
Anchorage, Alaska

1. CALL TO ORDER

Chairman Short called the meeting of the Alaska Industrial Development and Export Authority to order on February 2, 2012, at 10:37 a.m.

2. ROLL CALL: BOARD

Members present: Gary Wilken (Public Member), Robert Sheldon (Public Member), Wilson Hughes (Public Member), Ron Arvin (Public Member), Angela Rodell (Deputy Commissioner, Department of Revenue), Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development), Hugh Short (Public Member and Chair).

A quorum was established.

3. AGENDA APPROVAL

The agenda was approved as presented.

MOTION: Mr. Hughes moved to approve the agenda. Seconded by Mr. Sheldon. There being no objections, the motion passed.

4. ROLL CALL: STAFF, PUBLIC

Staff present: Ted Leonard (AIDEA Executive Director); Valorie Walker (AIDEA Deputy Director-Finance); Chris Anderson (AIDEA Deputy Director-Commercial Finance); Bill Phelan (AIDEA); Karsten Rodvik (AIDEA); Mark Schimscheimer (AIDEA); Teri Webster (Administrative Assistant); Shauna Howell (Executive Assistant AEA).

Others present: Jerry Juday and Brian Bjorkquist (Department of Law); Dave Domansky and Richard Alonso (Bracewell & Guilani); Jay Page (First National Bank); Lara Brekken and Jason Gavon (Kiewit); Bill Nordmark, John Sloan, and Brian Newton (Golden Valley Electric Association); George Swift (Juneau Resident); Michael Mohn (Kennedy & Mohn); George Gose (Sterling Savings Bank); Ted Sprott (Juneau Resident).

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES - December 14, 2011

The minutes were approved as amended.

7. NEW BUSINESS

7A. Loan Resolution No. L12-01 Novella Larson Revocable Trust of 2000

Mr. Leonard said Resolution No. L12-01 requests permission of management to enter into a loan participation with First National Bank for a loan of \$2,405,366 with AIDEA's participation being \$2,164,829.

Ms. Anderson reviewed the details of the proposed loan. AIDEA's portion of the loan would be on a 25-year term with a five-year variable rate. First National Bank would be at 12.5 years at a variable rate. The co-borrowers would be Robert C. Larson and Novella S. Larson. The loan is for term financing for a new retail office building located on Abbott Road. There would be approximately 60 construction jobs created, 100 percent of which would be Alaska residents. Approximately five jobs would be retained. Fifteen new jobs would be created as a result of tenants occupying the property, 90 percent of which would be Alaska residents. The property would be professionally managed by Kurt Nading of Realty Executives of Alaska. AIDEA would take a first lien position on the property, which has been appraised at \$3.3 million at a stabilized occupancy, and 73 percent loan to value. The proposed debt service coverage is 1.41 to 1, which exceeds our minimum of 1.25 to 1. Two letters of intent for occupancy have been signed for the first floor of the building. The estimated completion date of the project is April 2012. AIDEA would be taking an assignment of easements, obtaining an appraiser certification of value with the minimum value of \$3.2 million, and ensuring that the project is completed according to the provided plans and specs. The borrower currently has two related loans with AIDEA for a total of \$3.5 million, which have been current over the life of the loans. There are no environmental issues noted. The basic strengths were reviewed. It is new construction, professionally managed, and AIDEA has experience with the borrowers. The perceived weaknesses are the borrower's assets are concentrated in real estate holdings and the owner lives out of state. Portfolio diversification was reviewed using September 2011 numbers. AIDEA had 11.85 percent in the office industry, which would increase to 12.27 percent. For participated loans within the Anchorage region, AIDEA had 13.03 percent, which would increase to 13.77 percent. Staff recommends approval of the participation loan as presented.

In response to several questions, Ms. Anderson said the 5 year variable interest rate would be 5.07 percent. Mr. Leonard said at the end of the five years, the loan would be amortized over 25 years and the interest rate would be changed to whatever the cost of funds was at the end of the five-year period. Hillside Pet Clinic and Eye Mart Express have signed letters of intent for approximately two-thirds of the total space. A nationwide tenant has expressed interest in the remaining space, but a lease has not been signed. The jobs provided by the project were discussed. Eye Mart Express, which is new to the Anchorage market, would create new jobs, whereas Hillside Pet Clinic would be expanding their business and adding employees.

MOTION: Mr. Hughes moved to approve Loan Resolution No. L12-01 Novella Larson Revocable Trust of 2000. Seconded by Mr. Sheldon.

ROLL CALL VOTE: Mr. Wilken, yes; Mr. Sheldon, yes; Mr. Hughes, yes; Mr. Arvin, yes; Commissioner Bell, yes; Mr. Short, yes. Deputy Commissioner Rodell was not present during the vote. The motion passed.

7B. Loan Resolution No. L12-02 Juneau Residences, LLC

Mr. Leonard reviewed Resolution No. L12-02 Juneau Residences, LLC, which is a request for a loan participation with Juneau Residences, LLC. The loan is \$4,784,000. AIDEA's participation would be \$3,827,200 with Sterling Savings Bank.

Ms. Anderson reviewed the details of the proposed loan. AIDEA's participating interest would be a fixed rate for 25 years. Sterling Bank would have a term of 10 years on a fixed rate. The borrowing entity is Juneau Residences, LLC. The guarantors are George A. Swift and George A. Swift Revocable Trust. The loan is for a 78-room Aspen Suites hotel in Juneau. Approximately 14 new jobs would be created as a result of the project, 100 percent of which would be Alaska residents. The hotel was completed in May of 2011. The property will be professionally managed by Aspen Management Group. Juneau Residences, LLC, was formed in 2005 and manages all of Mr. Swift's properties. Management is consistent as the manager has been working with Mr. Swift for 14 years. AIDEA would take a first lien position on the property, as well as a UCC filing on the furniture, fixtures and equipment. The property was appraised at \$7.9 million at completion, which would provide a 60 percent loan to value. Upon stabilization, which is anticipated to be June of 2013, it would have a value of \$9 million, which provides a 53 percent loan to value. The proposed debt service in year one is 1.22 to 1 and in year two it would be 1.92 to 1. We would require a replacement reserve for the furniture, fixtures and equipment, as well as a payment reserve that provides a minimum debt service coverage of 1.40 to 1. We are also allowing for a waiver of the prepayment penalty of up to one payment per year of \$200,000. We would also require an acceptable reciprocal easement agreement that has to do with parking, access, and the configuration of the surrounding properties. AIDEA has one other related credit with Mr. Swift of \$1.3 million. There are no environmental issues reported. The strengths include an established borrower with an operating history, it is professionally managed, it is a new project, and there is a relatively low loan to value at completion and stabilization. The perceived weaknesses are the borrower's assets are concentrated in real estate holdings. Portfolio diversification using September 2011 number was reviewed. AIDEA had 20.13 percent of the total portfolio in tourism, which would increase to 20.81 percent. In the southeast region, AIDEA had 29.86 percent of the portfolio in tourism, which would increase to 32.03 percent. Staff recommends approval of the loan as presented.

In response several to questions, Ms. Anderson said the loan's interest rate would be 6.10 percent. The appraisal service predicted a 55 percent occupancy for the hotel, but is now reporting a 60 percent occupancy. The waiver for the prepayment penalty was recommended by Sterling Bank.

MOTION: Mr. Hughes moved to approve Loan Resolution No. L12-02 Juneau Residences, LLC. Seconded by Mr. Sheldon.

ROLL CALL VOTE: Mr. Wilken, yes; Mr. Sheldon, yes; Mr. Hughes, yes; Mr. Arvin, yes; Commissioner Bell, yes; Mr. Short, yes. Deputy Commissioner Rodell was not present during the vote. The motion passed.

7C. Executive Session – Healy Clean Coal Project

The Board discussed the procedures for executive session.

MOTION: Mr. Hughes moved to go into executive session to discuss business and proprietary information regarding the Healy Clean Coal Project. Seconded by Mr. Sheldon. There being no objections, the motion passed.

The Board entered executive session at 11:04 a.m.
The Board reconvened at 3:30 p.m.

Mr. Juday said everything covered in executive session was appropriate to the motion.

Break 3:30 p.m. to 3:36 p.m.

8. DIRECTOR COMMENTS

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

Mr. Leonard discussed the Board update that was distributed earlier. He directed board members to their packets which include project status sheets, loan and dashboard reports and a first-quarter financial report. There were no questions.

8B. The next meeting will be held on February 29, 2012.

9. BOARD COMMENTS

Commissioner Bell thanked staff and the Board. Mr. Sheldon said he appreciated the project status report. Mr. Short thanked Mr. Leonard for all of his hard work.

10. ADJOURNMENT

The meeting adjourned at 3:41 p.m.



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