



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Wednesday, August 8, 2018**  
Fairbanks, Anchorage, and Juneau, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on August 8, 2018, at 9:12 a.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Elaine Brown (Public Member); Bernie Karl (Public Member); and Gary Wilken (Public Member).

Members present via teleconference: Deven Mitchell (Department of Revenue [DOR])

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

Staff present: John Springsteen (CEO/Executive Director); Janet Reiser (AEA Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (Chief Financial Officer); Amy Adler (AEA Controller); Karsten Rodvik (External Affairs Officer); Gene Therriault (Interior Energy Project [IEP] Team Lead); and Sherrie Siverson (Executive Assistant).

Staff present via teleconference: Liz Greer (Project Development & Asset Management [PDAM] Project Manager); Leona Hakala (Loan Officer); Bill Phelan (Loan Officer); Linda Senn (Human Resources Manager); and Krin Kempainen (Administrative Assistant).

Public present: Colonel Ben Bishop, Josh Hurt, and Kay Missen (Eielson Air Force Base); Mark Gardiner (PFM Group Consulting); Lachlan Gillespie (Northern Alaska Environmental Center [NAEC]); Jerry Juday (Department of Law); Patrice Lee (Citizens for Clean Air); Mayor Jim Matherly, Mike Meeks, and David Pruhs (City of Fairbanks); Jeff Stepp and Jim Williams (Fairbanks North Star Borough [FNSB]); and Kay Mayo (Public).

Public present via teleconference: Ladonna Lindley (Accu-Type Depositions).

**4. AGENDA APPROVAL**

John Springsteen requested to include discussions of personnel matters and IEP during the Executive Session agenda item. The agenda was approved as amended.

Chair Pruhs expressed appreciation to Mayor Matherly for his hospitality and invited him to comment. Mayor Matherly stated he is honored to host AIDEA's meeting in the old main school

building that is now home to Fairbanks City Council meetings. He noted Mr. Wilken, Chair Pruhs, Mr. Pruhs, and his mother previously attended the school as students. Mayor Matherly expressed gratitude to AIDEA Board members for their service.

## **5. PUBLIC COMMENTS**

Patrice Lee stated she is not speaking on behalf of the Interior Gas Utility (IGU) Board in any way. She welcomed AIDEA Board members to Fairbanks. Ms. Lee directed the Board's attention to the outside smell of fresh air today. She noted the air quality during the wintertime changes dramatically to the worst in the nation. Ms. Lee invited the Board to consider conducting a January or February meeting in Fairbanks. She believes it is important for the Board to experience the challenges residents face during the wintertime. Ms. Lee reminded members that every decision the Board makes affects people. Fairbanks residents need help and any decisions that can help the people sooner will result in fewer premature deaths and fewer emergency room and hospital admissions. She expressed appreciation to the Board for attention to these issues and influence with the Legislature on behalf of Fairbanks residents.

Lachlan Gillespie thanked the Board for coming to Fairbanks. He commented on the roles and responsibilities of the State regarding the proposed Ambler Road Project. The State, and AIDEA as an extension, has a duty to enact the will of people of Alaska. Mr. Gillespie asked why AIDEA has not recognized the many tribal and community resolutions opposing the proposed road. The communities that will be most impacted, such as Ambler, Allakaket, Bettles, the Native Village of Kotzebue, and many more, have expressed their opposition of this road. He looks forward to AIDEA recognizing these communities and the will of the people of Alaska, and to stop pursuit of the project.

## **6. PRIOR MINUTES - June 28, 2018**

The minutes of June 28, 2018 were approved as presented.

Mr. Wilken noted Fairbanks Council member David Pruhs is present. He thanked Mr. Pruhs for his attendance.

## **7. NEW BUSINESS**

### **7A. Loan Resolution No. L18-05 Commerce Building LLC**

Mr. Springsteen stated Loan Resolution No. L18-05 regards participation by the Authority in a loan to Commerce Building, LLC to purchase a Class A office building located at 100 Calais Drive in Anchorage. The dollar amount of AIDEA's participation is \$3,420,000. Mr. Springsteen invited Chris Anderson to present.

Ms. Anderson reviewed the details of the 80/20 loan participation request by Northrim Bank in Loan Resolution No. L18-05, as presented in the memorandum. The interest rate is fixed at 4.08% for the 25-year term. The guarantor is Steve Zelener. He is an experienced real estate

investor and consultant, who owns and manages commercial properties throughout Alaska. There are no additional jobs supported.

AIDEA would take an assignment of the ground lease and leasehold deed of trust in the first lien position on the improvements. The appraisal was classified as a sandwich lease with an as-is basis of \$5,700,000. The market for Class A office space is strong and still growing. The existing inventory of Class A office space is expected to remain stable in the near-term. The loan-to-value is 75%. Debt service coverage is 1.33:1. There is no related debt. There are no known environmental issues.

The strengths include the financials of the guarantor, 100% leased to one credit-worthy tenant for an eight-year remaining lease term, with two additional five-year lease extensions, and stable, reliable cash flow. The perceived weakness is the property is on leased ground for a remaining 55-year term with two 15-year options.

AIDEA has 22.3% of its total statewide portfolio secured by office type properties and would increase to 23.19% with this credit. AIDEA has 47.5% of participated loans within the Anchorage region attributed to office projects and would increase to 48%. Staff recommends approval of Loan Resolution No. L18-05 as presented.

Chair Pruhs asked for AIDEA's total loan portfolio amount. Ms. Anderson reported the loan portfolio is approximately \$429.7 million.

**MOTION: Mr. Wilken moved to approve Loan Resolution No. L18-05 Commerce Building LLC. Motion seconded by Mr. Karl.**

**The motion was approved with members Pruhs, Brown, Karl, Parady, and Wilken voting yea.**

#### **7B. Eielson Regional Growth Plan, Fairbanks North Star Borough**

Mr. Springsteen stated AIDEA has been participating in the Eielson Regional Growth Plan meetings for the past several months. Mr. Springsteen introduced Colonel Ben Bishop, Commander of Eielson Air Force Base (Eielson), and expressed appreciation for his service. He also introduced Jim Williams, Chief of Staff FNSB.

Colonel Bishop thanked AIDEA and the community for the invitation to present today. Colonel Bishop explained Fairbanks is the future of the F-35 airplane. He noted Eielson is strategically located in the middle of the globe from an airman's perspective. Eielson is much closer to the key areas in the northern hemisphere than any place in the continental United States. As the Arctic becomes more important in the strategic context, senior leaders give more attention to investing in the strategic power platform mission. Colonel Bishop highlighted the excellent training range and capabilities of the Joint Pacific Alaska Range Complex (JPARC).

Colonel Bishop outlined the plan beginning with two F-35s scheduled to arrive in April 2020, and incrementally arriving until there are 54 total F-35s by December 2022. The F-35 lifespan is designed for 40 years. This is a long-term investment for a long-term mission at Eielson. The partners flying the F-35s include Air Force pilots trained at Luke Air Force Base, Australian pilots, Canadian pilots, Great Britain pilots, Korean pilots, and Japanese pilots. Colonel Bishop stated the Secretary of Defense James Mattis is keen on building alliances and coalitions. The F-35 program provides this opportunity and training will occur at Eielson.

Colonel Bishop reported over half a billion dollars is being invested in Eielson in order to support a successful F-35 program. Approximately 1,287 airmen will be added, which is a 50% increase to the current size and footprint at Eielson. The funded military construction projects provide significant economic impacts to contractors from the entire state of Alaska. Colonel Bishop explained one of the priorities is to engage and collaborate with the local community in order to facilitate sustainable growth.

Mr. Williams thanked AIDEA for coming to Fairbanks. He expressed appreciation to Mr. Springsteen for participating in the Tiger Team meetings telephonically. Mr. Williams discussed the opportunities and challenges that will be felt throughout the community and the state. The Department of Defense (DOD) Office of Economic Adjustment (OEA) assists communities in responding to major defense program changes. A strong partnership has been established between OEA and FNSB. OEA has provided funding for the regional growth plan and the contract went to Agnew Beck and Arcadis. The draft plan has been developed and the public comments are being integrated. The final plan is expected to be complete by the end of August. After the final plan is complete, FNSB will apply to OEA for additional funding to help implement the regional growth plan.

Mr. Williams discussed the two areas of focus in the regional growth plan in which AIDEA could likely partner are regional housing, access to capital, and utilities and infrastructure. Teams will be formed and tasks will be addressed on an ongoing basis. Mr. Williams stated he looks forward to collaborating with AIDEA, other community statewide stakeholders, and the leadership at Eielson.

Mr. Wilken suggested AIDEA be included in the health and social services focus area because of the work on air quality issues. He noted AIDEA could follow the same model used for the Eagle River National Guard Armory.

Mr. Karl expressed appreciation for the presentation. He believes the timing is right to make intelligent choices, including working together to ensure housing is built, but not overbuilt.

Chair Pruhs requested additional information regarding the housing needs plan. Jeff Stepp stated the total housing demand is about 975 and the current gap expected is about 183 homes in the 99705 zip code. There is sufficient stock to meet the housing demand outside the 99705 area. North Pole has seen an accelerated pace of construction this summer attempting to meet this demand.

Chair Pruhs asked if AIDEA's current regulations facilitate the infrastructure growth in North Pole. Mr. Springsteen explained AIDEA has participated in private infrastructure projects through the issuance of revenue bonds. Chair Pruhs commented on the importance for AIDEA to review all the options and opportunities to make a positive impact on the community.

#### **7C. IEP Update**

Mr. Springsteen requested Gene Therriault present the IEP Update. Mr. Therriault noted members toured the storage expansion project yesterday. The project is proceeding on time. A public notice from the Department of Natural Resources (DNR) was received regarding solicitation to see if there was interest in a competitive re-leasing of the North Slope pad. There were no expressions of interest. DNR developed a preliminary finding and decision to negotiate directly with AIDEA to release the existing pad under AS 38.05.070, which will allow general commercial activities to occur that are expected to result in positive cash flow. The comment period is open until August 29, 2018. Mr. Therriault walked the Board through the outline of the preliminary record of decision. The final decision is expected in October.

Mr. Therriault stated the original lease included gravel that was sourced for the purpose of a liquefied natural gas (LNG) plant. That infrastructure is not going forward. DNR is suggesting AIDEA needs to pay the upcharge on the gravel, which is about \$500,000. AIDEA does not have access to IEP funds anymore because they have been allocated to the consolidation project. Mr. Therriault discussed options that would preserve the charitable public use aspect of the North Slope pad and to potentially avoid the gravel upcharge. Mr. Therriault requested input from the Board regarding additional ways to work with DNR on this challenge.

Chair Pruhs suggested IGU become involved in the DNR negotiation process and be at the table during meetings. Mr. Therriault stated IGU has been kept apprised throughout the process and he will ensure IGU attends future meetings.

Mr. Karl recommended Mr. Therriault negotiate directly with the Commissioner of DNR, rather than staff, because the State Constitution gives the Commissioner complete flexibility to conduct a best-interest finding. Mr. Therriault stated Deputy Commissioner Parady, on behalf of AIDEA, participated in conversation with the Commissioners of DNR and Commerce. As DNR reviewed the limitations on the existing pad and the desire to support general commercial activity, the Commissioner of DNR directed staff to develop a streamlined process required by statute.

Mr. Wilken asked if the Board needs to reemphasize to the Governor and/or the Commissioner the desire to have a best-interest finding. Chair Pruhs noted the Board could present a resolution. Mr. Therriault agreed a resolution or a letter could be crafted to share AIDEA's view on particular processes that would best benefit the project. Deputy Commissioner Parady believes the communication would be most powerful written from the Chair and directed to the Commissioner. Mr. Karl agreed. Chair Pruhs informed he is happy to pen a letter to Commissioner Andy Mack.

Mr. Wilken asked if it would be appropriate for IGU to draft a letter that mirrors and supports AIDEA's letter. Mr. Therriault agreed, and noted the time to submit that letter is now.

Mr. Therriault continued the update and reported IGU and the consolidated utility continues to work with AIDEA accounting on final closing issues.

Deputy Commissioner Parady appreciated the solid comments regarding the gas supply in the quarterly report and the substantive accomplishments the comments reflect. He asked for the anticipated in-service date of the new tank. Mr. Therriault stated the new tank should be completed August 2019, after which a cool-down period and testing will occur. Filling is expected to begin in the fall of 2019.

Deputy Commissioner Parady requested an update on conversion progress. Mr. Therriault stated IGU has taken the lead on conversion progress. AIDEA was instrumental in getting the PACE mechanism and the on-bill mechanism in place, as well as identifying potential funding sources the utility and local government may be able to bring forward. Mr. Therriault noted IGU posted a position for a Conversion Coordinator. He does not know the current status of the position.

Chair Pruhs asked for additional information regarding the City of Fairbanks or North Pole engaging in regulatory changes that require new furnaces to be dual-fired or the removal and replacement of existing furnaces to be dual-fired. Mr. Therriault expressed he is unaware of any process changes to make those regulatory requirements. Chair Pruhs noted the earlier comments regarding the housing expansion in Fairbanks and North Pole due to the F-35 project. He does not understand why a regulation has not been established that in order to grant a permit to install a boiler, the boiler has to be dual-fired. He believes requiring a dual-fired boiler in new construction is critical. Chair Pruhs emphasized the significant air quality issues today and the importance of converting to clean-energy gas.

Chair Pruhs inquired as to any movement on the commercial side for public buildings to convert to natural gas as soon as it is available. Mr. Therriault discussed many of the interruptible customers, including the local school district; do maintain a fuel-oil capability. Chair Pruhs expressed surprise that the government buildings have not committed to taking available gas. This gives the utility the volume-driven economic modeling to set rates for the community, which is beneficial to all customers. Chair Pruhs requested Mr. Therriault follow up with IGU and offer assistance wherever AIDEA can help to facilitate conversions, retrofit or new construction regulations, and the efforts to obtain commitments, particularly from government facilities.

Deputy Commissioner Parady inquired as to the current cost of gas compared to the current cost of fuel oil in Fairbanks. Mr. Therriault noted the current delivered price to residential consumers is \$20.81, which is equivalent to \$2.75 fuel oil. The last surveyed delivered price of fuel oil was \$3.11. The use of gas also provides an efficiency rate of approximately 10%, which totals to

make the current delivered price of gas about 20% less than the current delivered price of fuel oil.

**7D. Executive Session: MOC1, Personnel Matters, IEP**

**MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential and financial information related to MOC1, personnel matters, and IEP. Motion seconded by Ms. Brown.**

The Board entered Executive session at 10:59 a.m. Participants included board members Dana Pruhs, Elaine Brown, Bernie Karl, Fred Parady, and Gary Wilken. Mr. Mitchell said he would not participate in the executive session with respect to MOC1 due to a conflict of interest.

AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Janet Reiser, Brenda Applegate, Gene Therriault, and guests, Mark Gardiner and Jerry Juday.

Due to technical difficulties issues, the remainder of the meeting was not recorded by the audio equipment in Anchorage.

The Board reconvened its regular meeting at 1:14 p.m. Chair Pruhs advised no formal action was taken on the matters discussed in executive session.

**8. DIRECTOR COMMENTS**

Mr. Springsteen stated the loan and dashboard reports, IFD and PDAM project matrices were included in the packet. Please contact Ms. Siverson regarding the continuing education calendar.

Next regularly scheduled AIDEA Board Meeting Wed. September 19, 2018

**9. BOARD COMMENTS**

Mr. Wilken read this letter for the record: Chairman Pruhs and members of the AIDEA and AEA boards,

By this public comment, and a letter which will follow to Governor Walker, Mr. Springsteen, you the chairman, and the board of directors of AIDEA and the Alaska Energy Authority, I wish to announce my resignation from the boards of directors. This action is effective immediately.

A unique opportunity, which I intend to pursue, has been presented to me. However, it requires this resignation which I am tendering today.

As I finish out my eight-year tenure on this board there are many to thank for the opportunity to participate in the many and varied discussions which have centered around this table and these agencies.

My first thank you goes to my wife Sue on the home front. Her patience and advice have been a touchstone in whatever small amount of service I have been able provide to the people of the Interior and our great state. As we prepare to celebrate our 50<sup>th</sup> wedding anniversary on September 14, I once again am reminded that I “married up” and I say once again, Thank you....!



I want to thank the wonderful staff, both current and past, with whom I have had the pleasure to work. You are much more than agency staff, you are friends and I trust our paths will cross again. I have found you to be hard working, smart, and, most importantly, thoroughly committed to the vital missions of AIDEA and the Alaska Energy Authority.

I want to also thank Governor Bill Walker for twice reappointing me to continue to serve. Your confidence in me is recognized and appreciated. You have been a supporter of the goals of AIDEA and AEA and I encourage your continued involvement.

Let me thank Governor Sean Parnell who brought forth a much-needed reorganization plan creating the new AIDEA and AEA in 2010 and then asking me to serve on the new boards of directors. At the outset Gov. Parnell asked me to cast a critical eye on these agencies and report back to him with the answer to the questions, "Do we really need AIDEA and AEA? Are these agencies doing what private industry should be doing?"

It's with that question in mind that I began my service on these boards. Two years later I was able to report back to the Governor that, indeed, AIDEA and AEA bring a special and unique set of expertise and financing tools not available to the private banking industry. This expertise and these tools provide valuable resources to those attempting to develop investment grade commerce and critical infrastructure across the state of Alaska.

That was true then and it's true today. AIDEA is a high-level functioning financial institution which is a benefit to the people of Alaska and must be allowed to continue its valuable work. It's been an honor to serve. God bless you all.

Each board member thanked Mr. Wilken for his service, said how much they enjoyed working with him, and wished him luck with his new endeavor.

## 10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:25 p.m.



John Springsteen, CEO / Executive Director  
~~Secretary-Treasurer~~  
Alaska Industrial Development & Export Authority