

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, April 13, 2022
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on April 13, 2022, at 10:31 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED); Deven Mitchell (DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

3. AGENDA APPROVAL

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda, as presented. Motion seconded by Mr. Fogle.

The motion to approve the agenda passed without objection.

4. PRIOR MINUTES – March 2, 2022

MOTION: A motion was made by Mr. Fogle to approve the Minutes of March 2, 2022, as presented. Motion seconded by Vice-Chair Kendig.

The motion to approve the Minutes of March 2, 2022, as presented, passed without objection.

5. PUBLIC COMMENTS (2 minutes per person, for one hour)

Chair Pruhs noted that comments are limited to two minutes per person. He requested participants to please state their name and affiliation, if any, and to please speak to topics on the agenda.

Ken Castner, Homer, commented that AIDEA's Executive Session agenda item discloses to the public for the first time that AIDEA and Mr. Castner are engaged in a lawsuit. The lawsuit is in its 16th month and regards violations of the Open Meetings Act. Mr. Castner anticipates that the lawsuit will drag on a while longer. He informed that he was deposed last week by an Assistant Attorney General who was very curious about Mr. Castner's background knowledge of the Open Meetings Act and if Mr. Castner had filed records requests for the information regarding capacity and collateral of AIDEA's loans, which are mandated to be disclosed to the public by the Open Meetings Act.

Mr. Castner indicated that he has not made any records requests to obtain information that he

believes are required to be disclosed and should be disclosed automatically. Mr. Castner noted that he does not recommend taking on a State agency for declaratory relief because it is not an easy process, and it is very protracted.

There being no further public comments, Chair Pruhs closed public comments.

6. NEW BUSINESS

6A. Loan Participation Portfolio – Risk Management Policy

Alan Weitzner, Executive Director, discussed the Loan Participation Portfolio Risk Management Policy memorandum (memo) and attachments are linked in the agenda and are available to the public. The Budget and Audit Subcommittee (BAS) reviewed the memo in March and decided to recommend the memo for full review by AIDEA Board. Mr. Weitzner highlighted that Mr. Fogle is the BAS Chair and he is available to answer questions. Mr. Weitzner also invited Morgan Neff, Chief Investment Officer, to join the discussion and to answer any questions.

Mr. Weitzner suggested that an overview of the Loan Participation Portfolio will be discussed and will lead into the reasons for the establishment of the Risk Management Policy. There were no objections. Mr. Weitzner reviewed that AIDEA's Loan Participation Program (Program) is part of the Enterprise Development Account under statute 44.88.155. The Program's intent was to buy participations from local financial institutions within the state of Alaska. Under the Program statutes, the local banks selling to AIDEA must retain at least 10% of the loan, which means that AIDEA is able to acquire up to 90% of a loan. The Program provides long-term available fixed rate funding to Alaska's borrowers, mostly small and mid-market businesses that develop commercial real estate. The Program also incorporates elements of equipment financing.

Mr. Weitzner discussed that since FY2017, ending June 30, 2017, the Program has grown from roughly \$376 million to a balance of roughly \$445.3 million, as of FY2021, ending June 30, 2021. After recent payouts to the portfolio, the current balance is roughly \$422 million. The Program has recognized a 6% compounded growth. Mr. Weitzner explained that the Program fills a need to provide long-term fixed rate financing. There is no alternative source within the state of Alaska available to Alaska borrowers for long-term fixed rates. Mr. Weitzner discussed that other states in the United States benefit from Real Estate Investment Trusts (REITs), pension fund investments, and other forms of capital that compete with local financial institutions.

Mr. Weitzner explained that AIDEA does not compete with financial institutions. He informed that the portfolio includes approximately six million square-feet of office space within the state of Alaska, which reflects the strong support of the Program. Mr. Weitzner reported that the portfolio represents less than 10% of the available office space in the state. He discussed that the loan growth over the last five years for the active financial institutions of the Program is in excess of 30%. This shows that there is a healthy market within Alaska and that the Program fits a specific niche.

Mr. Weitzner reviewed the benefits of the Program. AIDEA's mission is to enhance job growth within the state of Alaska and to diversify the economy. The niche that the Program is serving is for those parties that need long-term fixed rate capital in order to implement their development or to reinvest and expand their development in Alaska. Since the early 1990's, the Program has

funded a total of approximately \$1.2 billion in loans and has created in excess of 10,000 construction jobs. The Program has supported in excess of 10,000 jobs in existing businesses through reinvesting and expanding their operations in Alaska. It has fulfilled that specific function and niche.

Mr. Weitzner discussed that the Program is able to direct capital to more remote areas of the state that may not have access to broader financing. Overall, the Program has been very successful in meeting AIDEA's mission elements of Alaskan job growth, economic development, and diversity, while enabling financial institutions to provide their key role within the state. Mr. Weitzner highlighted a comment contained in Northrim's financial statements regarding the purpose of the Loan Participation Program. It states, "a blend of our and AIDEA's loan terms allows us to provide competitive, long-term financing to our customers, while reducing the risk inherent in this type of lending. We also originate and sell to AHFC loans secured by multi-family residential units. Typically, 100% of these loans are sold to AHFC and we provide ongoing servicing of the loans for a fee. AIDEA and AHFC make it possible for us to originate these commercial real estate loans and enhance fee income, while reducing our exposure to risk."

Mr. Weitzner further explained the dynamics regarding the reasons to establish a Risk Management Policy. The Program originated with Department of Revenue (DOR) and about \$160 million in loans was transferred to AIDEA as part of the foundation capital. Since then, AIDEA has grown to a net balance sheet position of \$1.4 billion through continued growth, recycling capital, and reinvestment in the state of Alaska. Mr. Weitzner discussed that another benefit of the Program as a long-term patient capital provider is the ability to utilize loan modifications. During COVID-19, AIDEA has addressed in excess of \$240 million worth of modifications in the loan portfolio for 95 unique loans.

Mr. Weitzner advised that during discussions with the BAS regarding the recent loan modifications, it was highlighted that larger impacts occurred to certain areas of the portfolio. The question was then asked to staff regarding the processes that other institutions utilize to manage a large loan portfolio basis. Mr. Neff, Tiffany Janssen, Commercial Finance Director, and staff has since been engaged in looking externally to define the risk categories within the Loan Participation Portfolio. Staff was also requested to analyze the regional and geographic risk areas within the state. The provided memo addresses both items.

Mr. Weitzner informed that one of the results of the discussion was a reclassification of the Loan Participation Portfolio based upon the repayment industry, which is industry that supports the underlying collateral. The breakdown by repayment industry is shown on pages three and four of the memo and has highlighted areas that staff was not accounting correctly in the systems. Staff has since corrected the record and the way the data is aggregated. Mr. Weitzner informed that the previous classification potentially reflected the hotel concentration in excess of \$100 million. The process defined the repayment profile, and the critical sector of the hotel industry has a concentration of roughly \$57 million, which represents 14% of the portfolio.

Mr. Weitzner discussed that staff reviewed the best practices within industries, including business development corporations. He requested Mr. Neff provide a summary for the Board regarding the review of the risk profiles and ways to establish a risk management policy based on best practices. Mr. Neff asked Ms. Janssen to first review AIDEA's current processes in order to

show how they relate to the proposals within the memo. Ms. Janssen summarized the risk management process as shown on pages four and five of the memo. A preflight is received and assessed. If determined eligible, the bank provides a full underwriting package. AIDEA's team then underwrites the file, including an inspection. The loan is presented to the Investment Committee for a comprehensive review and approval or denial. If the approved loan is greater than or equal to \$3 million or greater than or equal to \$5 million in aggregate exposure to a common borrower, the loan will proceed to AIDEA's Board for final review and approval by resolution. There were no questions on the existing process.

Mr. Neff explained that risks that cannot be controlled within the Loan Participation Portfolio include liquidity risk and market risk. Liquidity risk pertains to the ability to sell an underlying position in the portfolio to meet certain liquidity requirement. AIDEA is a long-term patient investor and does not necessarily need the liquidity profile. Mr. Neff noted that AIDEA is proudly investing in only Alaska and Alaska market risk is not a focus of concern.

Mr. Neff began the explanation of each of the four proposed items to the risk measurement framework. The first recommendation is to define the portfolio size through quarterly recommendations of capital allocation. The current capital recommendation is for a total of \$500 million, which includes all existing loan participations plus anticipated growth. Chair Pruhs asked if the \$500 million recommendation is set annually by the Board. Mr. Neff explained that staff will propose a loan participation fund allocation amount every quarter, which could remain stagnant or could increase based on the conditions.

Mr. Weitzner explained that staff is asking for an allocation and that this process has not been implemented before. Discussions have occurred regarding this issue at the end of each year during the evaluation of excess capital. This proposal would establish a Board-approved level of allocation of funding to the Program.

Chair Pruhs requested a side-by-side comparison of what happens if AIDEA approves the first recommendation to define the portfolio size compared to what happens if AIDEA does not approve the first recommendation. He asked if the preflight stage would change or if it would change the opportunity for an Alaska business to apply for a loan. Mr. Weitzner responded that it does not change the process. It establishes a set level of allocation out of the revolving fund specifically for the Loan Participation Program.

Mr. Mitchell indicated for the record that staff is also taking into account loan repayments in the existing portfolio for determining the sizing need. Mr. Neff agreed. Mr. Weitzner explained that the Program has revolved generally on a cycle of about seven or eight years. The loans are termed at 20 years to 25 years and include a repayment element. Staff will account for the assumption that the same level of repayments will not occur, based upon the lower interest rates for Program borrowers over the last few years.

Chair Pruhs requested a brief at-ease. There were no objections.

Chair Pruhs returned the meeting to order.

Mr. Weitzner identified that the memo specifically states that there will not be a geographic diversification requirement. Under the statutes, the Program is available to every borrower in

Alaska and can work with every qualified financial institution within Alaska. No regional basis distinction will be made. The requests for distinctions are within industries in order to manage risk categories and risk mitigation elements.

Mr. Neff discussed the proposed measure regarding borrower concentration. Per regulation, AIDEA is limited not to exceed \$25 million for a single loan. The recommendation is to establish the aggregated amount of \$25 million for the limitation of the individual borrower in order to reduce the risk at the borrower level.

Chair Pruhs asked when the \$25 million limit was included in the regulation. Mr. Weitzner believes the amount was put in place around 1998 or 1999. The amount was previously \$10 million and was increased at that time to \$25 million. Chair Pruhs asked what the \$25 million amount would be in 2022 dollars, taking inflation into consideration. Mr. Weitzner indicated that he does not have that calculation. Chair Pruhs commented that \$25 million in 1998 or 2000 is not \$25 million in 2022, and that it is possible that amount needs to be revisited because of inflation.

Vice-Chair Kendig asked if the total portfolio capital allocation was increased to \$600 million, then the 5% limit would be at \$30 million. Mr. Neff agreed that the statutory definition and regulatory perspective limits the individual borrower at 5% of the \$600 million, which is \$30 million.

Mr. Fogle expressed appreciation to Mr. Neff for providing the information. Mr. Fogle noted his concerns that were discussed at the March BAS meeting regarding a cap of \$500 million. Mr. Fogle does not want to miss out on any opportunities to help Alaskans. He asked about the rigidity of the \$500 million cap. Mr. Neff discussed that the \$500 million cap would be revisited quarterly. He requested Ms. Janssen discuss current anticipated preflights that may reach or exceed some of the limitations proposed today, and the proposed flexible terms and structure for the Board's consideration.

Ms. Janssen explained the measure listed on page six of the memorandum that if a loan is submitted that AIDEA staff believes meets all the program metrics, but the industry is near or has exceeded the cap, then the loan can go through the normal levels of six months of conditional approval. If the industry concentration decreases during that six months, the loan could receive full approval without delay. Mr. Fogle asked if the \$500 million is a floating amount. Mr. Neff explained that staff would come to the Board on a quarterly basis and propose to either increase the cap or to let it remain at the current level.

Mr. Fogle asked for the total dollar amount of loans that are in preflight status. Ms. Janssen reported that the total dollar amount of preflight loans exceeds \$50 million.

Chair Pruhs commented that amount takes the portfolio close to the recommended allocation of \$500 million. He expressed concern that the cap may create a self-imposed capacity issue and that communication to the public is important to ensure clarity for applicants. Chair Pruhs commented that he does not want to limit opportunities if AIDEA has the resources within the statutes and regulations.

Mr. Weitzner recommended that staff revise the memorandum that identifies a number allocation for the purposes of the quantification of the industry caps. The policy remains that AIDEA is

open for business for all Alaska borrowers. Chair Pruhs agreed. Mr. Fogle agreed.

Mr. Mitchell asked if the limits established in the policy would be based on the authorized cap, rather than the existing loan balance. Mr. Weitzner noted that a reporting number will be set to identify industry diversification within the portfolio as a whole and that risk mitigations are in place. There is no intention to remove the ability of the Board or the functioning Investment Committee of the staff to approve loans that continue to grow the portfolio.

Mr. Neff discussed for the record the reasoning for the proposed policy. He noted that at some point, the portfolio could be leveraged, similar to any revolving fund, where additional loans can be made by securitizing the loan repayments currently in the pool. By creating this policy, and the standardization that it represents, allows third-party credit agencies or investors to view the portfolio and processes to make an investment decision. This is a first step to a path leading to that option. The option is not being suggested today.

Mr. Neff indicated that at the onset of his term as Chief Investment Officer, he and Mr. Weitzner identified these sorts of balance sheet initiatives for efficient capital deployment. Mr. Weitzner commented that this is one of the elements the Board has discussed for maintaining a sustainable financial position. He noted that while the current capital is managed for future project investments and the growth of the portfolio, external access to capital markets needs to be established. Mr. Weitzner believes the cost of capital will be lowered and can be reinvested within the state with the mindset of sustainability.

Chair Pruhs asked what the possible effects are to accessing capital markets over the next 12 to 24 months with the inflationary environment and anticipated higher interest rates. Mr. Neff noted that there is a large component of investors that are looking for the fixed rate and there is a bigger component of investors in the market that do not have any exposure in Alaska. This makes it a great diversification tool from a blended standpoint in a total portfolio construction scenario.

Chair Pruhs expressed concerns that there is about \$420 million on the books, around \$50 million in the pipeline, and a cap of \$500 million. He asked for staff's input regarding the possibility of increasing the cap to \$600 million. Mr. Neff noted that staff is here today to present their proposed suggestions and to gather feedback from the Board to make adjustments. Mr. Weitzner commented that staff's thought process was to be conservative. If the Board chooses to allocate a higher amount for the soft cap application, it does not change the proposal. It adjusts the numbers on each industry category.

Vice-Chair Kendig agreed with Chair Pruhs that AIDEA should be ready for market changes. He expressed concern for being so close the \$500 million cap and would support moving the cap to \$600 million as quickly as possible.

Mr. Vivlamore noted the discussion about the cap is really a fluid allocation that will change on a quarterly basis. He asked if he was correct that the Board's allocation amount cannot be used for anything else. Chair Pruhs agreed, unless the proposal comes back before the Board to be used for something else. Mr. Vivlamore reiterated that AIDEA is open for business and the Board should see all the proposals.

Mr. Eledge commented that we cannot predict the future and we cannot predict the amount of inflation that will happen this year. He asked if the \$500 million amount can be adjusted at the quarterly review. Mr. Neff agreed and noted that is exactly staff's suggestion; the quarterly review provides the flexibility and the ability to be fluid with the capital allocation portion of the Program.

Ms. Janssen discussed that the proposal also includes a preflight management screen that any loan over 2%, or currently \$10 million, will be discussed with the Board before the entire loan package is received, which gives the Board adequate notice to change the allocation.

Mr. Neff continued the review of the proposed recommendations regarding industry concentration. He informed that one of the leading drivers of the framework was looking at the industry exposure. Staff has spent countless hours defining the revenue exposure and the industry concentration. The proposal establishes a 25% or less industry concentration based on the revenue of the underlying businesses. This is coupled further that the top five industries cannot comprise more than 50% of the portfolio. This limits the ability of four industries representing 100% of the portfolio. He noted that based on \$500 million allocation, the portfolio's top five industries comprise 43.46% of the portfolio. The industries are hotel, tourism, healthcare, real estate mixed use, and government. There were no questions.

Chair Pruhs inquired as to the possibility of entering into Executive Session to discuss the cap.

MOTION: A motion was made by Mr. Fogle to enter into Executive Session to discuss the allocation cap for AIDEA's Loan Participation Portfolio. Motion seconded by Vice-Chair Kendig.

The motion was approved without objection.

Executive Session: 11:17 am

Discuss the allocation cap for AIDEA's Loan Participation Program

The Board reconvened its regular meeting at 11:29 am. Chair Pruhs stated that the Board did not take any action while in executive session on the Portfolio Management Policy. He requested that staff continue the presentation.

Mr. Mitchell proposed that the Board consider an amendment to the Risk Management Policy that would provide for an allocation of between \$500 million and \$750 million for the Program, that the allocation is \$500 million for determining percentages of risk, and that the allocation for risk determination is reviewed quarterly by the Board for updates.

Chair Pruhs asked for staff comments. Mr. Weitzner proposed for discussion that the intent is not to have an active hard cap or to dissuade any potential party from a loan application or preflight. The proposal is for staff to manage the reporting of the industry concentrations and include the allocation information in the monthly reports. Staff would apply the proposed policy and if loans exceed a certain industry concentration, it would be a requirement that the loan is brought before the Board for approval by exemption. Staff would continue the process as proposed, including the conversations regarding the available capital for future growth needed within AIDEA. Chair

Pruhs asked Mr. Mitchell if Mr. Weitzner's comments were acceptable. Mr. Mitchell agreed.

Mr. Vivlamore requested more information that with the \$500 million to \$750 million bandwidth of funding available, how much of that money would not be available for other investments. Mr. Weitzner commented that there would not be a definition specifically that the capital on the Revolving Fund is unavailable to other investments. It is an allocation that includes budgeting on the utilization of that fund, similar to the way near-term obligations are viewed for development project finance and future obligations that have to be held in reserve. AIDEA will continue to manage the fund as it has managed the fund, but the underlying reporting of the specific risk allocation levels and industry concentrations within the Loan Participation Program would be on an ongoing monthly basis.

Mr. Weitzner explained the proposal on a number basis. He gave the example that the current total is at \$422 million and \$500 million is the number on which to base the industry levels, if there are preflights within six months that total in excess of \$500 million, staff would internally adjust the level to \$550 million. The level would continue to move within the proposed band of up to the level of \$750 million. Mr. Weitzner believes that broad band would not impose a limitation on any Alaska borrower.

Chair Pruhs asked Mr. Fogle, as Chair of the BAS, if he is supportive of Mr. Weitzner's comments and proposal. Mr. Fogle believes that a band between \$500 million to \$750 million signals to the Alaska community that AIDEA is open for business and AIDEA will not turn away any Alaskan that comes for assistance. Mr. Fogle approves of the band.

Mr. Weitzner discussed that the memorandum has been available to the public for review and was reviewed at the March 29th BAS meeting. Mr. Weitzner continued the presentation to the Board to identify the proposed changes in procedures regarding preflights. The change involves an additional element of the Board's review. Staff is trying to match how the Development Project Finance Program is handled. That Program has a two-step presentation process.

Chair Pruhs asked a clarifying question and noted that his understanding is that hotel and tourism are the same, with the same concentration at risk, based on the trends of the last two years. He noted that hotel and tourism are listed individually in the portfolio breakdown. Chair Pruhs requested additional information regarding how staff will manage these related, but separate high-concentration businesses. Mr. Weitzner noted that a robust conversation on that topic occurred with the BAS. He requested that Mr. Neff and Ms. Janssen provide additional information.

Ms. Janssen discussed that hotels do not necessarily rely completely on the visitor industry to survive. Hotels and tourism also have different types of collateral. The hotel industry is not heavily reliant on the cruise ship industry, as is tourism. A hotel can have many different revenue sources. Chair Pruhs discussed the example in Juneau of the closure of the Baranof Hotel. He noted that the hotel used to be full during the session. Chair Pruhs expressed concern regarding splitting hotel and tourism industries because they are so connected.

Mr. Weitzner noted that the example identifies one of the key risk factors regarding hotels in that the session is independent of tourism, and the session was driving the occupancy at the Baranof.

The distinct difference in the collateral base between hotels and tourism includes a larger investment and a larger building. Hotels and tourism are both within the top five industry concentrations of the portfolio. Mr. Weitzner explained that the requirements under 44.88.155 is a collateral base supporting the loans. This is managed predominantly through a first lien collateral position in the underlying security.

Mr. Mitchell commented on the difficulty of categorizing the industries. He noted the closeness between real estate-daycare and real estate services. Mr. Mitchell is hopeful that staff reviewed categorizations that are acceptable to the broad market and incorporated those into the policy. Mr. Mitchell highlighted the industry of government and inquired as to what types of governmental commitments were included because the range and diversity within the category is significant. He asked staff to provide input on market expectations or standardizations for how the categorizations were met. Mr. Neff explained that the industries were benchmarked and categorized through best practices and industry standards, which take a comprehensive analysis of publicly traded REITs and mortgage REITs. The industry concentrations presented are reflective of that analysis. There were no additional questions on that topic.

Mr. Weitzner brought the Board's attention back to the presentation and the proposed change to the preflight process. Ms. Janssen explained the current process that preflights that exceed the lower band of 2% of the \$500 million do not go before the Board. Staff is proposing to change the process so that preflights that exceed the lower band of 2% of the \$500 million include a preliminary underwriting and are presented to the Board for review. This is basically the same process that the private sector undergoes. The process will avoid premature costs to the borrower of an appraisal and environmental survey at this stage of review. It will allow AIDEA to understand the pipeline and to manage the allocation and band. Ms. Janssen explained that if the Board were to greenlight the preflight, then the final appraisal and environmental survey would be ordered, and the full loan package would be presented to the Board.

Mr. Fogle asked at what point during the process does the site inspection occur. Ms. Janssen advised that any loan request brought before the Committee, or the Board has to have an onsite inspection. Chair Pruhs asked if there is a policy that a site visit must occur for any loan over \$1 million. Mr. Weitzner clarified that the policy says that any loan that comes before the Committee has a site inspection. Ms. Janssen informed that during her tenure, staff has visited every potential loan site. Chair Pruhs expressed support for the site visits and discussed the challenges in the past regarding this issue. Vice-Chair Kendig commented that the past issues were with a different staff and that the current staff should be commended for their efforts.

Mr. Neff commented that the proposals shown today are designed as enhancements to make the Program more efficient without drastic encumbrances to the Board's process. Staff conducted a historical anecdotal review of the effect of the materiality threshold on the Board's involvement and since 1997, there would have been 13 loans brought to the Board through the preflight screening process. Staff believes this proposal is important to the Loan Participation Portfolio's process, while not being overly intrusive or encumbering.

Chair Pruhs inquired as to the possibility of a monthly or quarterly staff process to inform the Board of rejected preflights so that the Board can respond appropriately to public comments. Mr. Weitzner agreed that staff can add a quarterly report that provides that update. Mr. Weitzner

reviewed the process of staff's Investment Committee. If the loan is within certain parameters, it goes before the Board. Loan modifications go through the BAS and then to the Board. In every case, if a loan application is not progressing beyond the Investment Committee, there are documented reasons communicated to the underlying bank.

Mr. Weitzner discussed staff's current and focused attention on the loan application turnaround time. The information is shown on the application. AIDEA's intent is for a quick turnover and quick response to the applicant in providing the information. Chair Pruhs noted that many times, it is not AIDEA who has a challenged time horizon, but AIDEA is blamed by the banks for the process. Chair Pruhs asked what percentage of the preflights are rejected. Mr. Weitzner indicated the rejection percentage is low. He does not have the exact number. Ms. Janssen agreed that the percentage of rejections is low, but many times the preflights will not contain the sufficient information. Staff then requests the information and if the lender and borrower does not provide the information, then the preflight does not move forward.

Mr. Fogle commented that he believes staff's proposals are a shift to a proactive policy, from the previous reactive policy. This allows AIDEA to understand what is in the pipeline. He thanked staff for their efforts. Mr. Fogle requested that staff explain for the new Board members the graphics in the presentation outlining the regional and collateral diversity of the Participation Loans. Ms. Janssen reviewed the information for new loans in process and the new applications in process. She noted the graphs do not include direct finance.

Chair Pruhs asked staff for the reason why the regional delineation is sometimes listed as a geographical region like southwest region and is sometimes listed as a political region like Mat-Su. He believes that a region is not a municipality. Mr. Weitzner noted that historically, there are distinct collateral pools and business concentration areas, including Mat-Su. He noted that staff is trying to define the best way to present the data in order to make cogent decisions. Mr. Weitzner informed that the previous process reported the business address and was irrespective of the collateral location. Staff changed this process and has reviewed each of the 280 outstanding loans to report the location of the collateral. The previous data collection process was paper-based and was not recorded on the loan system. Staff is retrieving the data and placing it into a different system, but has continued to use the existing regional delineations that have been reported over the last 15 years. Mr. Weitzner informed that if the Board wants to have the regional delineations changed, this would be the time to implement that.

Chair Pruhs commented that he does not consider the northern region to include the west coast of Alaska down to the latitude of Denali Park, as reflected on the slide. He requested staff to revisit the regional map and to be more reflective of the current status. Mr. Weitzner agreed. There were no additional questions.

Mr. Weitzner indicated that staff is asking the Board to put forward a motion adopting the presented policy with the recommended changes of the capital allocation level within a band of \$500 million to \$750 million to be managed by staff and reported within the monthly loan participation and commercial finance information within Director's Comments. The policy will be revisited again during the December Board meeting within the general discussions of total capital.

MOTION: A motion was made by Mr. Fogle to adopt the Loan Participation Program Risk Management Policy dated April 13, 2022, with the Board recommended changes. Motion seconded by Vice-Chair Kendig.

The motion to adopt the Loan Participation Program Risk Management Policy dated April 13, 2022, with the Board recommended changes passed without objection.

An at-ease was taken for lunch at 12:04 pm.

6B. Resolution No. L22-01 824 NW 52nd LLC

The Board reconvened its meeting at 12:25 pm. Chair Pruhs requested Mr. Weitzner present on Resolution No. L22-01, 824 NW 52nd LLC. Mr. Weitzner discussed the resolution regards the purchase by the Authority of a participation in 824 NW 52nd LLC. The related memorandum is attached and available to the public. The recommendation is for AIDEA to participate in a \$3.7 million loan at a fixed rate of 4.42% over 25 years. Mr. Weitzner requested that Ms. Janssen provide a summary of the proposal. Ms. Janssen reviewed the presentation linked to the agenda. Northrim is the lender and initially requested that AIDEA participate at a 90% level. During the review, staff found building and tenant risk and adjusted the participation to an 85% level. The guarantors are the Harrison Living Trust and Duncan and Danielle Harrison. The building was purchased last fall and this loan will pay off the short-term bridge loan.

Ms. Janssen reported that the space is classified as Class B and is within an industrial area, surrounded by warehouse/retail buildings. The facility was built for Ferguson, which is the largest distributor of plumbing and HVAC supplies in the United States. They have occupied the facility for 35 years, and have recently signed a new five-year lease. The tenant improvements are well-maintained and were built specifically for Ferguson. The building is approximately 80% warehouse and 20% retail space. The property is on two acres and has a large area for parking and storage. The economic life of the collateral is within guidelines and the debt service is within the current policy guidelines.

Ms. Janssen gave a detailed review of the related debt AIDEA holds with the borrowers. In order to comply with AIDEA's statutes and regulations, staff worked with Northrim to add a condition to refinance two of the related debts. There were no tenant concessions or modifications due to the pandemic. The guarantor did not require Covid-19 funds in order to continue making payments. No environmental issues were noted at this time. There were properties next to and near the subject property that contained minimal contamination.

Chair Pruhs noted that he read that the groundwater is contaminated. He asked if drill testing occurred on the property. Ms. Janssen stated the Phase I environmental assessment did not drill and they are going off of historical records. There was a remedial action that has been logged with the State of Alaska. Chair Pruhs asked for the reason that the property was not drilled since it is known that there is pollution next to the property. He asked for the reason AIDEA would loan money on a piece of property when there is known water pollution next door. Ms. Janssen explained that staff relied on environmental professionals and engineers to ascertain whether or not any additional action is needed. The historical records were reviewed, and it was determined that there is no need on this particular property to conduct further action.

Chair Pruhs commented that it is unknown what issues are actually under the property. It is known that there is water pollution next door. Chair Pruhs directed attention to the PFAS issue at Anchorage International Airport, whereby they are no longer able to disturb the ground until a solution is found with DEC and EPA. Chair Pruhs noted that from a policy standpoint, if it is known that there are pollutants next door, he has no comfort level in relying on a Phase I environmental assessment unless it looks for pollutants.

Vice-Chair Kendig asked what environmental study was conducted on the property next door to determine the groundwater problem. Ms. Janssen stated that staff would have to conduct research on that particular property. She advised that groundwater contamination is ascertained by a Phase II assessment. The property next door was the Fairbanks Fire training facility and remediation occurred. That property hooked up to City water in 1990, at which point the groundwater was no longer deemed an issue because no drilling for wells would occur. Vice-Chair Kendig commented that even if the groundwater is not being used, it still affects the property within the proposal. Vice-Chair Kendig asked why AIDEA would not utilize the same environmental study used on the next-door property to determine if there are problems on the proposed property. Ms. Janssen explained they are commissioned by the borrower and the lender, and they are private. AIDEA does not have access to that. They would have to order a Phase II.

Chair Pruhs asked why AIDEA does not require a Phase II for this proposal. Mr. Weitzner explained that is the process of the Program. The underwriting is at the bank level. The bank based their underwriting determination on Phase I. This does not preclude AIDEA from having alternative requirements for approval. Chair Pruhs gave an anecdotal example of a land contamination issue with a sale that he encountered. Chair Pruhs commented that there is known contamination under the adjacent property, but it is unknown if there is contamination under the proposed property. AIDEA is being requested to take 85% of the risk. Chair Pruhs commented that he does not know if AIDEA should take 85% of the risk from a policy standpoint.

Mr. Mitchell asked if the known contaminant in the groundwater of the adjacent property was included in the process of determining the value of the proposed property. He expressed concern if the known contamination was not included into the valuation because there could be a potential to negatively impact the valuation of the proposed property. There was no response.

Vice-Chair Kendig asked what contaminant was found in the groundwater of the adjacent property. Ms. Janssen stated it is PFCs in the groundwater. Chair Pruhs discussed that the fire-retardant foaming agent contains PFAS and is considered hazardous to human health. Vice-Chair Kendig expressed concern regarding the liability. He discussed that if there is a problem in a year from now, everybody that was on the chain of title is liable. Vice-Chair Kendig asked if the applicant is aware of that. Ms. Janssen indicated that staff does not speak directly with applicants at this stage. Staff would have to communicate and ask that of the lender.

Chair Pruhs referenced his experience with property contamination that resulted in having to hire DEC to locate the source of the pollution to clear responsibility. He noted that this was very expensive and took over two years. Chair Pruhs commented that since AIDEA knows of the contamination on the adjacent property, AIDEA should be proactive to cover the risk on this issue.

Mr. Vivlamore indicated that this is a well-known PFAS issue in Fairbanks and the plume travels for miles. The City of Fairbanks has accepted responsibility and have put in utilities in areas where there were not utilities. Mr. Vivlamore assumed that the issue is not affecting the cash flow of the property and he does not believe that it affects the marketability of the property. Mr. Vivlamore thinks that any appraiser that does a lot of work in the Fairbanks markets would know of this issue.

Chair Pruhs commented that the issue in Fairbanks means that there is migrating water bringing matter into the property, which could include PFAS and could include other matter. Chair Pruhs asked if there is a fuel tank on the property or has there been a fuel tank on the property. Ms. Janssen noted that the property currently utilizes natural gas. She would have to research the file to determine if there was ever a fuel tank on the property. Chair Pruhs indicated if there was a fuel tank, then testing should be conducted to ensure it has not leaked.

Mr. Weitzner discussed that AIDEA's policy is to work with the underwriting bank with their customer and their required environmental reports. For this property, the borrower knows that the Phase I assessment was completed. AIDEA has not adopted a policy that independently requires a condition of a Phase I or a Phase II environmental report. Chair Pruhs noted that the bank's term is proposed for 15 years and AIDEA's term is proposed for 25 years, which means the building will be over 60 years at the end of the term. He commented that it should be a red flag that the adjacent property has known contaminants. He expressed concern that it is unknown if there is a buried fuel tank on the property. Chair Pruhs noted that the circumstances are challenging. He believes it is risky for AIDEA to maintain 85% of the risk for 25 years without knowing what is under the ground, while knowing about the contamination in the adjacent property and knowing that Fairbanks' groundwater moves around.

Ms. Janssen commented that if the property had been historically used for a high-risk industry like construction or diesel, the Phase I report would have revealed that information. She noted that one of the issues with conducting a Phase II environmental on asphalt with no known leaks is that sampling would be conducted randomly on the property. Chair Pruhs commented that sampling should occur on the property lines. Ms. Janssen informed that it is not unusual in Alaska to see property next door which has had past issues that have been remediated. AIDEA relies upon the environmental engineer to advise whether or not further action would be required.

Chair Pruhs commented that the Phase I environmental is ordered. The borrower decides whether or not to order a Phase II or Phase III, not the engineer.

Commissioner Sande asked if a Phase I environmental is adequate to move forward on a loan in the private sector. Ms. Janssen explained that when an environmental engineer issues a statement that no additional action is needed, then no Phase II is required. Ms. Janssen informed that for this proposed property, the environmental engineer issued a statement that no additional action is needed.

Chair Pruhs commented that he wants to make the loan, but the risk of not knowing the constituents of the groundwater is a challenge. He requested input from the members. Chair Pruhs noted his experience with Phase I assessments and that they do not include an underground assessment. Chair Pruhs discussed a previous AIDEA proposed property in Kodiak that had a

fuel tank. The loan was approved, subject to a clean Phase II environmental.

Mr. Vivlamore asked if Chair Pruhs is suggesting that any real estate acquisition or loan would be subject to a Phase II environmental review or if the Phase II is particular to this loan because of the known hazard that the water is unsafe for drinking. He believes the water is safe for washing clothes. Mr. Vivlamore indicated that Gustavus has this problem and drinking water is brought to Gustavus and distributed. The residents use the water for washing clothes and other chores.

Chair Pruhs discussed the importance of understanding the baseline of the known contaminant because it could increase in the future. He commented that the fuel tank needs to be investigated for hydrocarbons. Chair Pruhs indicated that there is a difference between government property ownership and private property ownership regarding rules and regulations. AIDEA is ultimately responsible for approved loans, which includes a prudent fiduciary responsibility. Chair Pruhs wants to ensure AIDEA conducts its due diligence in order to manage the risks for the people's money. He believes that each piece of property stands on its own accord.

Vice-Chair Kendig discussed that the contamination is a liability.

Mr. Weitzner highlighted that the concerns being discussed are conditions that could happen, but that the conditions are not known elements of the property.

Chair Pruhs requested that staff consider future policies regarding triggers that cause additional due diligence on properties. He recommended that a baseline is established for this proposed loan property before a loan is approved.

MOTION: A motion was made by Vice-Chair Kendig to make a condition of a Phase II environmental. Motion seconded by Mr. Fogle.

Mr. Vivlamore requested clarification as to what the Phase II environmental will be looking for, since PFAS contamination is known. Chair Pruhs noted that testing for hydrocarbons will probably also occur.

Mr. Weitzner asked for clarification on how to approach this issue because PFAS is prevalent within Fairbanks. He asked if this is direction to AIDEA staff that for any Fairbanks or City of North Pole property that is being reviewed, a Phase II is required. Chair Pruhs responded that the direction is for this particular piece of property. Chair Pruhs suggested that staff create a proposal for a policy to manage the risks in all locations of the state.

Vice-Chair Kendig suggested that a trigger could be if there is a known problem with a Phase II on an adjacent property. Chair Pruhs agreed that it could include a known problem, buried fuel tanks, gas station on an adjacent property, historical information, and any red flags that may necessitate additional information, which may not be the requirement of Phase II.

Commissioner Sande commented that the direction to staff sets a precedent. She understands the reasons why some members have challenges with this loan, but she believes this is a process that a private investment company would take and there is not a reason indicated to stop the movement of the loan. She understands and agrees that there are risks, but she can also see

staff's point of view questioning if they need to review each loan in terms of potential environmental risks or if the Board is satisfied with the initial engineer's report. Commissioner Sande commented that she is satisfied and comfortable with the initial engineer's report and takes the staff recommendation.

Chair Pruhs noted his discomfort. He expressed skepticism that the engineer says the property is all good with the combination of a fuel tank and a known issue.

Commissioner Sande asked Chair Pruhs if he wants to peel apart all of the loans with fuel tanks or environmental issues on a case-by-case basis moving forward. Chair Pruhs reiterated that he is looking to staff to develop a risk management policy. Chair Pruhs noted that he is focused on the resolution and this loan in front of the Board today, and putting a possible contingency that is subject to a successful Phase II environmental analysis that is acceptable to staff, just like was completed in Kodiak. Chair Pruhs noted that policy is not being set.

Commissioner Sande commented that she believes she heard staff indicate today that they felt that Phase I was acceptable to them. Chair Pruhs agreed with that comment. Mr. Weitzner agreed that is staff's view based upon the analysis that given to staff by the underwriting bank and knowing the process undertaken with the borrower. The current policy is to work with the underwriting banks on this particular issue. Mr. Weitzner indicated that Chair Pruhs is correct regarding the Kodiak property discussion and supplemental requirement leading to approval for the participation.

Ms. Janssen clarified that staff is unaware if the fuel tank was above ground or below ground. She asked if the fuel tank was above ground and was removed, would an inherent risk still remain. Mr. Mitchell noted that was his point. He asked if Vice-Chair Kendig would consider amending his motion. Mr. Mitchell stated that he is comfortable with the PFC issue. There is a known problem and there is a plume that comes from a public source, who has mitigated by providing drinking water to the property. If there is a buried, unmitigated oil tank on the property, then he believes the concerns expressed today come to the floor and warrants additional work from an environmental perspective. If there was an above ground tank that was removed or a below ground tank that was mitigated, then Mr. Mitchell does not feel that there is not as much of a need for an additional environmental analysis of the property, unless the additional environmental analysis will be conducted on all properties, because every property could have something coming from half a mile away.

Vice-Chair Kendig clarified that the motion was not for all properties. The motion was specific to this property.

Mr. Mitchell noted he was discussing why this property could potentially require additional environmental review or be a standard for every property to get an environmental review.

Vice-Chair Kendig discussed his reasoning was because the adjacent property had a Phase II and found problems.

Mr. Mitchell stated that he believes there were PFCs found next door.

Ms. Janssen agreed. She understood the question to ask if a Phase II was conducted to ascertain

that contamination was present. Ms. Janssen agreed to that possibility, but the borrower owns the reports and AIDEA staff is not privy to that information. Ms. Janssen is assuming that drilling occurred, based upon what the borrower has reported on contamination, but that she does not have the specific and private information owned by the borrower.

Mr. Mitchell commented that it sounds like AIDEA is moving towards additional borrower requirements that the underwriting community is not currently requiring on parcels that have the theoretical potential of contaminants because groundwater moves and is not based on anything that is known about the property.

Chair Pruhs discussed that the risk is greater for refinances. New constructions typically do not have these issues. He suggested that if a policy is set up, then three flags are, 1) a refinance, 2) known pollutants around the property, and 3) a buried fuel tank. He feels there should be a policy in place to manage these risks and indicated that he does not want to set a policy today. Chair Pruhs commented that this is a good loan, and it should have the covenant that it is subject to a successful Phase II.

Chair Pruhs asked a general question regarding current policies for refinancing terms in relation to the age of the building. Mr. Weitzner explained there are statutes and regulations that define the term of the loan. The loan can go to a maximum of 25 years and is subject to the useable life of the underlying facility and equipment as defined within the appraisal. Ms. Janssen noted it is 75% of the remaining estimated economic life. This specific loan has an amortization and will pay off in 23 years.

The motion made by Vice-Chair Kendig for a condition of a Phase II environmental failed for lack of a vote.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution L22-01. Motion seconded by Mr. Fogle.

Chair Pruhs asked if there were any modifications to the Resolution.

MOTION: A motion was made by Vice-Chair Kendig that the approval of the loan is conditioned on a successful Phase II environmental. Motion seconded by Mr. Fogle.

Chair Pruhs clarified that the successful Phase II will be solely determined by staff and staff does not have to come back before the Board. There was no objection.

A roll call was taken, and the motion to approve that the approval of the loan is conditioned on a successful Phase II environmental passed unanimously.

A roll call was taken, and the motion to approve the modified Resolution L22-01 passed unanimously.

6C. Resolution No. G22-06 Ambler Mining District Transportation Corridor Technical Feasibility Study

Mr. Weitzner indicated that Resolution No. G22-06 is a resolution of the Alaska Industrial

Development and Export Authority relating to development of the Ambler Access Project to conduct technical feasibility studies of the Ambler Access Corridor and proposed tidewater export terminals. Attached to the resolution is a memo prepared by staff and available to the public, which proposes the allocation of \$250,000 to undertake advanced technical and feasibility studies of the logistics for development of the Ambler Mining District. Within the memo, staff defines the purpose of the proposed \$250,000 allocation. The feasibility study will be undertaken in a competitive bid process. The purpose of the study is to understand the logistics chain for the full development of the Ambler Mining District.

Mr. Weitzner highlighted that AIDEA, through resolutions approved by the Board, has been developing the Ambler Access Project, which is one element of the corridor for the development and feasibility of mineral development within the Ambler Mining District. Mr. Weitzner noted that the Ambler Access Project provides access to the Ambler Mining District, as codified under Alaska National Interest Lands Conservation Act (ANILCA) and pursued and approved under joint Records of Decision by the Bureau of Land Management (BLM) and National Park Service. Mr. Weitzner discussed that the Ambler Mining District is a key source of strategic and critical minerals for the United States. It is a secure domestic supply of that mineral base. The district is abundant in copper, which is not currently defined as a strategic or critical mineral, but is critical in the transition to the new tech-focused economy. Due to the current and anticipated production of electric vehicles, 100% more of the current supply of copper will be required. The Ambler Mining District is also the U.S. sole identified resource of cobalt for battery manufacturing. The District is also a source of germanium and gallium, which are utilized in every element of solar conducting capacity.

Mr. Weitzner discussed that with the access that is available within the Ambler Mining District, the anticipation of the full development of the mines is on the level of four to five Red Dog mines in operations. AIDEA's development in working with NANA and Teck Alaska with the road and facilities at the Red Dog Mine created the number two supplier of zinc globally. Red Dog is continuing to grow in that capacity. Red Dog employs about 600 people. Approximately 55% of the employees are Alaska Native NANA shareholders and well over 90% are Alaskans. Red Dog has directly benefited the local communities and economies within Kotzebue and the Northwest Arctic Borough.

Mr. Weitzner highlighted that with the development of the Ambler Mining District and ensuring that there is a corridor in place, AIDEA is facilitating significant job growth within the state and significant benefits by diversifying the economy with the mineral content and providing a safe and secure resource for the U.S.

Mr. Weitzner asked Jesse Peterson, Project Manager AIDEA, to give a summary of the proposed competitive bid process and the scope of the bid.

Chair Pruhs requested Mr. Weitzner discuss the rationale for the resolution and to provide a big-picture overview for the Board. Mr. Weitzner directed the Board's attention to the map, courtesy of Ambler Metals, on the last page of the memorandum. He discussed that much of the conversation has been on AIDEA's development of the Ambler Access Project. However, the map shows that the 211-mile Ambler Access Project is a small component of the logistics chain required to get the ore concentrate to a port of exit. The intent is to identify the inevitable

bottlenecks within the current infrastructure chain, to identify the best investments to relieve those bottlenecks, and to define which port is the best to be developed to facilitate the full development of the Ambler Mining District.

Mr. Weitzner reported that separate analysis has been conducted on Port MacKenzie, Port of Anchorage, Whittier, and Seward. The intent is to analyze the information and to focus specifically on the ore concentrate volume anticipated from the Ambler Mining District once the access is made available.

Chair Pruhs asked Dave Heimke for his best estimate of the anticipated cost of the 211-mile Ambler Road and noted the cost is now \$700 million, up from \$500 million. Chair Pruhs commented that the Ambler Road will be a toll road and will be paid for by the mines. He discussed that the problem is with the “last-mile” of the corridor. Chair Pruhs outlined the possible logistics is that the ore concentrate is trucked on two trailers onto the Dalton Highway, then dropped down to one trailer on highway trucks to Fairbanks, then onto a railroad to Anchorage, where it is known that the Port of Anchorage cannot handle ore concentrates from five mines. Chair Pruhs explained that he has prodded staff to address the entire transportation system, including the bottleneck at the “last mile” so that the mining company customer is not two-locked and can pay for the road. Chair Pruhs believes this resolution is the start in the understanding the entire transportation system, and the different options for the ports at Anchorage, Mat-Su, Seward, and Whittier. There may even be the possibility to invest funding to remove curves on the Dalton Highway so that double trailers can travel to Fairbanks before the concentrate is railed.

Chair Pruhs commented that his wishful thinking is that double-trailers are used all the way to Fairbanks, then put on the rail, and then go into a designated uplands with thousands of acres that can handle any natural resources that comes to Southcentral Alaska.

Mr. Weitzner gave context that the cost of the Ambler Access Project that has been defined is based on 2018/2019 dollars and is in the range of \$500 million to \$550 million. Inflation is going to impact the investment number. The number is a preliminary number because the full analysis is unknown and is reliant upon the ability to undertake and advance the design and work anticipated for this field season.

Chair Pruhs commented for the record that there are many advantages for Ambler Metals being the first mine in and that they could probably utilize the Port of Anchorage. He noted that the holistic transportation issue will impact the second, third, fourth, and fifth mines. Chair Pruhs expressed appreciation for the resolution and looks forward to Mr. Peterson’s information.

Mr. Weitzner discussed that AIDEA views its role with the Ambler Access Project and the proposed study to facilitate the development of the Ambler Mining District as quickly as possible, and to implement ways of solving infrastructure problems within the state.

Mr. Peterson noted that Chair Pruhs gave a good explanation of the reasoning for pursuing the proposed technical feasibility study to go out to bid to procure a third-party engineering contractor to help AIDEA understand the technical components of each different port that is connected via rail and how they can accommodate ore from the Ambler Mining District. The

study would include a comparative analysis of those ports, a Strengths, Weakness, Opportunity, and Threats (SWOT) Analysis, and Class 5 estimates to identify potential investment costs.

Chair Pruhs asked if staff can work with Department of Transportation (DOT) and get their opinion regarding the possibility of utilizing two-trailer tractors on the Dalton Highway. Mr. Peterson agreed and noted that staff needs to work with DOT and with the Alaska Railroad to fully understand the constraints on the entire logistic chain.

Mr. Eledge noted that he is relatively new to the Board, and he does not know the process that the Board and staff conducted. He asked for the distance from the mine site to the tidewater west of the site. Mr. Peterson stated that without looking at a map, he believes the mine site is a couple hundred miles from the tidewater west. Mr. Weitzner highlighted that Mr. Eledge's question is covered specifically within the joint Record of Decision, under Section 1.5 and Appendix G. There have been significant studies undertaken looking at routes that are from the Mining District going west to Kotzebue and also going southwest to Nome. There were approximately 13 different proposals initially evaluated, some by DOT, but then fully reviewed with BLM. The designation from Milepost 161 on the Dalton Highway going east to west to the Mining District complies with ANILCA and is the best route for definitive subsistence issues.

Mr. Eledge noted that he was not specifically asking about the process. He wanted to personally understand if it is about midstream from Dalton to Ambler and Ambler on to tidewater due west. Mr. Eledge understands that Mr. Weitzner and staff have conducted excellent due diligence on selecting the road.

Chair Pruhs noted that there were two or three proposed routes and asked if BLM selected the final route. Mr. Weitzner agreed. He advised that Appendix G gives the details of the various routes that have been analyzed by DOT and in consultation with all stakeholders.

Mr. Weitzner explained this resolution is the first step of this type of analysis. This was not part of the Ambler Access Project, as that focused on the specific road development. This is a separate undertaking for the study related to the Ambler Mining District and other development. Mr. Weitzner noted that staff will report to the Board and will provide follow-up recommendations after the retained consultant completes their final report.

Chair Pruhs asked Mr. Peterson if the proposed study will have constraints or directions so that the comparison of the ports is equal in an "apples to apples" manner, including storage, acreage, and year-round ship access. Chair Pruhs noted that there is a significant movement in the Municipality of Anchorage to upgrade the landlocked port in Anchorage. Mr. Peterson explained that staff will bracket the analysis for those types of constraints. He discussed an example is to ensure there is storage capacity for the back-haul containers going north based on the anticipated volumes of multiple mines operating concurrently. Mr. Peterson noted that definitions will be included in the criteria to ensure that the comparisons are "apples to apples."

Chair Pruhs asked if the methodology used by the first mine to transport the ore will have to be followed by the future mines or is it possible for future mines to utilize different ways of transporting the ore. Mr. Weitzner commented that is a very key question and refers directly to the operation of the road. The analysis that has been completed on the road has made a general

assumption of the mining development. Ambler Metals' is currently discussing how to transport their ore concentrates from the Arctic Mine. Mr. Weitzner views this as an opportunity for AIDEA to define operating procedures and standards on the road to maximize the full development of the Mining District, limit further investment that is required for different areas, and facilitate lower costs for everyone who is developing within the Mining District.

Chair Pruhs asked for the meaning of "ore concentrate" and what process it has undertaken. Mr. Peterson explained that the ore is milled at the mine and the finished product, which is a raw concentrate, is transported to a different location and then goes to the smelter. Chair Pruhs asked if the loads will be separated out, including loads of copper and loads of silver. Mr. Peterson agreed.

Chair Pruhs expressed appreciation and support for the presentation. He noted that this process has to occur and the whole transportation system needs to be understood.

MOTION: A motion was made by Mr. Fogle to approve Resolution No. G22-06, the Resolution of the Alaska Industrial Development and Export Authority relating to development of the Ambler Access Project to conduct technical feasibility studies of the Ambler Access corridor and proposed tidewater export terminals. Motion seconded by Vice-Chair Kendig.

Mr. Eledge asked if southeast tidewater export terminals should be considered. Mr. Weitzner noted that the memorandum defines four specific ports under consideration: Port MacKenzie, Port of Anchorage, Seward, and Whittier. Mr. Weitzner indicated that the Board can direct staff to expand that consideration. Mr. Eledge commented that he believes those four ports are sufficient.

A roll call was taken, and the motion to approve Resolution No. G22-06 passed unanimously.

MOTION: A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss ongoing litigation with the Department of Law involving attorney-client privileged matters related to Castner v. AEA and AIDEA, and confidential financial matters related to the assets owned by Mustang Holdings, LLC. This is supported by the Open Meetings Act, AS 44.62.310, which allows a Board to consider the attorney/client privileged information and confidential matters in Executive Session. The discussions of these subjects would have an adverse effect upon the finances of AIDEA and are protected by law. Motion seconded by Mr. Fogle.

The motion was approved without objection.

6D. Executive Session: 1:32 pm

Litigation update by Department of Law involving attorney-client privileged matters related to Castner v. AEA and AIDEA, and confidential and deliberative matters related to the assets owned by Mustang Holding LLC

The Board reconvened its regular meeting at 3:11 pm. Chair Pruhs advised that the Board did not take any action on the matters discussed while in executive session, other than to provide instructions to counsel.

7. DIRECTORS COMMENTS

7A. Update FNSB MFZ Land Development - Presentation

Mr. Weitzner informed that the attached presentation is an update to the recent resolution approved by the Board for allocating \$150,000 for due diligence efforts on land development work within the Fairbanks North Star Borough and the partnership with the City of North Pole. Mr. Weitzner highlighted the discussions and focus of Chair Pruhs and Mr. Vivlamore on these efforts. Mr. Weitzner discussed that the goal of the Military Facility Zone (MFZ) Land Development is to support the military's presence in Alaska. He noted the global tragedy that is happening in Ukraine created by Russia's invasion, it highlights the importance of Alaska in the military mission of the U.S. and the logistic presence in the Arctic and Indo-Pacific regions.

Mr. Weitzner explained that the land development is looking to create the vehicle for housing unit construction and expansion of infrastructure that would create opportunities for military personnel to live within the Fairbanks North Star Borough communities of City of North Pole or Fairbanks. Mr. Weitzner highlighted that the project structure falls within AS 44.88.172 and AS 44.88.900, which authorizes AIDEA to own and invest in public use facilities and includes infrastructure for an area that is designated as a Military Facility Zone. The structure was created with efforts from the City of North Pole and AIDEA and its Board members as a public/private partnership to initiate a phase of approximately 100 to 150 units. Mr. Weitzner informed that he understands this is the preference area for personnel that are allocated to Eielson Air Force Base. The City of North Pole expressed support through a unanimous resolution.

Mr. Weitzner explained that the City of North Pole would acquire the land and transfer the land to AIDEA, who would be responsible for investments in infrastructure and the master planning development for the housing units. The land lots and different platting would be available for multiple housing contractors in order to incorporate as many participants as possible within the Fairbanks / North Star Borough community. Review is ongoing regarding engaging with multiple lenders for construction finance and working with Alaska Housing Finance. The project will bring many different stakeholders together within the Fairbanks / North Star Borough with the principal focus of initiating the land development and available for housing units by 2023.

Mr. Fogle asked if AIDEA is working with Interior Gas Utility (IGU) to bring natural gas to this development. Mr. Weitzner agreed and indicated that IGU has been contacted and discussions are ongoing regarding how heating gas connections can be brought to the community. Mr. Weitzner asked Angela Kuest, AIDEA, to provide additional information regarding the gas connections. Ms. Kuest discussed that she met with IGU on March 16th and gas is relatively low cost and is in close proximity to this property.

Mr. Fogle asked Mr. Weitzner to provide the background on IGU for new members. Mr. Weitzner provided an overview of the historical legislation and the intent of creating a gas utility within the Interior to address different emission issues that were occurring within the

community. AIDEA was designated funding through the Sustainable Energy Transmission Supply (SETS) fund that was dedicated to the development of the Interior Energy Project (IEP). He discussed the acquisition of Pentex, and the merging of existing operations created IGU. Mr. Weitzner noted that quarterly reports are submitted on the status of AIDEA's loans to IGU and how they are advancing connections based upon their projections. Mr. Weitzner highlighted that it would be significant progress for IGU to connect the proposed 150 units.

Ms. Kuest continued the presentation and discussed that the land is currently vacant and is in close proximity to the City of North Pole. She showed a map of the area, and the land has access to available gas, municipal water and sewer. Ms. Kuest discussed that the initial Phase 1 environmental report was completed and there are indications of a known historic PFAS plume in the groundwater that does not extend above the waterline, and secondly, there are some cars on the property that have the potential of related fluids. A follow-up report will be required and will be conducted when the snow melts.

Mr. Weitzner explained that the follow-up on the initial environmental review will ensure that the land complies with the needs for a housing unit development. Different consultants have been engaged on a sole-sourced basis. This was due to the expeditious need to engage contractors on the timing requirement to get the housing units in place, ultimately for the military availability by the summer of 2023. Mr. Weitzner reviewed the slide showing the project development timeline. The initial stage contractors include the environmental review, geotechnical work, surveying for land, and the layout and design. The intent is that the construction contracts will be selected through a competitive bid process.

Mr. Eledge asked if the 36 acres of land is privately held. Mr. Weitzner agreed, and informed it is currently under a sales contract initiated by the City of North Pole. AIDEA has 90 days from March 21st to undertake due diligence and the public procedure to get approval to acquire the land.

Mr. Fogle expressed appreciation for the presentation. He asked if the housing units are only available for military personnel. Mr. Weitzner explained that the housing units are going to be broadly open to the public. The development and partnership with the City of North Pole and the Fairbanks North Star Borough is effectively a public use facility development for the purposes of the economic development benefits that come from off-base housing. It is not exclusive to the military. The development is needed to ensure that there is a level of housing stock available for that expanding military mission.

Commissioner Sande expressed excitement and support for the project, and she is hoping that this can be used as a pilot and a model to address the consistent need in other communities. Commissioner Sande discussed that in her new role, she has communicated with urban and rural communities regarding ways to encourage economic development within the state. A common challenge is the lack of employees and the lack of housing, which is traced to a lack of financing for infrastructure and proper development. Commissioner Sande asked Mr. Weitzner to explain the reason that other projects like this may not be allowed, but that this project was allowed because of the military component.

Mr. Weitzner explained that AIDEA's ability to undertake this project is specifically related to

the definition of a project within a Military Facility Zone under AS 44.88.900. He advised that under AS 44.88.172, AIDEA can engage in public use facilities, but it has to be within the definition of a project. At the leadership of the Board's Chair, staff continues to find ways that AIDEA's patient capital can lower the overall cost of development for housing.

Commissioner Sande requested staff to continue the conversation regarding the statute and ways that this model, if successful, could be applied to other communities throughout Alaska.

Chair Pruhs noted that page three of the presentation does not include mention of the tax reference. Mr. Weitzner stated the information was included in the memo and not the summary. He explained that the agreement under the structure would include a property tax abatement, initially benchmarked at 10 years. Subsequent to that approval, the Fairbanks North Star Borough has adopted a resolution establishing a property abatement for 10 years for unit developments that are above five combined units, which includes this project. Mr. Weitzner informed that the City of North Pole automatically adopts resolutions adopted by the Fairbanks North Star Borough.

Mr. Weitzner informed that one of the elements of the land is that it is adjacent to the City of North Pole and not within the City of North Pole. The land would need to be annexed. Part of the agreement is that the property would need to be annexed by the City of North Pole. Chair Pruhs requested that Mr. Weitzner include the tax abatement bullet point under project structure because he believes it is a critical and unique component of the project of affordable housing and gives credit to the community for their involvement and willingness for a successful project. Mr. Weitzner agreed.

Chair Pruhs expressed appreciation to Mr. Weitzner and Mr. Vivlamore for successfully developing the concept.

Mr. Vivlamore thanked Ms. Kuest, Mr. Neff, and Mr. Weitzner for their diligent efforts over the last couple of months to get the project to this point. This project is extremely important to the Interior.

Mr. Weitzner highlighted that the project is still in the early stages of the platform and quite a bit of work needs to occur with the stakeholders to ensure that the plan works with the economics for base allowances and other budget information. Additional updates to the Board will occur as the process continues. Mr. Weitzner directed the attention to the last slide of the presentation identifying the economic benefits and why this project is public purpose and public interest. The overall military within Alaska represents roughly \$2 billion of the GDP. One of the key drivers that has been identified is that military procurement is over 80% local, which benefits the local businesses. Mr. Weitzner gave examples of the benefits of off-base military personnel in the communities.

Mr. Eledge acknowledged the great work of Ms. Kuest and Mr. Weitzner. He asked if the 90-day due diligence timeframe is adequate to accomplish the necessary tasks. Ms. Kuest believes the most critical path will be the environmental report and the City of North Pole having four hearings for an ordinance to complete the land purchase before the close date of June 17. Ms. Kuest believes the timeframe is achievable. Mr. Weitzner highlighted specifically regarding the

sole-sourced arrangements on the procurement and for the environmental Phase I. If an RFP process had been utilized, it would be three months before any work could be completed. Given the need for a quick turnaround because of the due diligence period timeframe, in order to engage development on the property for the housing units to be available by 2023, and the importance of that housing and capacity for the military mission, AIDEA took that path. Competitive sourcing will occur for the contractors to complete the master planning after the full proposal is brought back to the Board.

Mr. Fogle asked if staff will speak to the Alaska Home Builders Association to make them aware that this project is forthcoming. Mr. Weitzner stated that staff is communicating with multiple different parties within the Fairbanks community. He identified that the Fairbanks Economic Development Corporation has collaborated on many of these components under their Tiger Taskforce and conversations within the community about the need for this development over the last three or four years. Mr. Weitzner noted that tomorrow, staff will be speaking with the Associated General Contractors of Alaska, and discussions are ongoing with components of the Home Builders Association. A comment was made that one of the contractors who is engaged in the process is the President of the Interior Alaska Home Builders Association. There were no additional questions.

7B. Loan Dashboard Report

Mr. Weitzner reviewed that the current balance of the Loan Participation Portfolio, including Power Project loans is \$422 million. He discussed the concentration of delinquencies within the portfolio from Key Bank. These are four existing loans that are managed by Key Bank totaling \$5.3 million. Staff is addressing ways to engage with Key Bank because it is clear that management assistance is needed. Mr. Weitzner requested Ms. Janssen directly engage with Key Bank to specifically address the delinquencies. Ms. Janssen noted that Key Bank has almost entirely exited the commercial origination market and are only servicing the existing loans. This makes it difficult when they have an unresponsive borrower. AIDEA has taken steps to manage and actively service the loan, including communication with the borrowers.

Mr. Weitzner discussed that the loans at issue comprise a little over 1% of the portfolio, but the attention needed for these loans are taking a considerable amount of staff time. Key Bank is not providing the active loan servicing attention necessary. Their service center is located on the eastern coast of the U.S. The delinquencies do not represent default. The process is to ensure the payments are being registered and directed to the correct place.

Mr. Fogle expressed concern regarding the shrinking pipeline of loans and that the loans that are being paid off are not being replaced. He noted the fiscal year is in its seventh month and there have been approximately \$14 million of loans written. Mr. Weitzner commented that the preflights total about \$50 million, which is close to the anticipated budgeted amount of \$65 million. Mr. Weitzner noted that AIDEA is not in control of how quickly loans are submitted. Staff is in control of how many days it takes to process the loans. This information is tracked and under Ms. Janssens's leadership, the turnarounds are within single digits.

Mr. Fogle expressed understanding and asked if there are additional steps that AIDEA can take to promote the programs and encourage more loans into the pipeline. Mr. Weitzner noted that the

Program is under statutes and regulations to support the underlying financial institutions. AIDEA's first course of engagement is with the financial institutions. The new active process is that when staff travels to review and inspect a potential loan and portfolio, staff is directed to specifically engage with the local banks to provide an update on the positive changes of the Loan Participation Program in order to broaden the participation. There are currently 13 financial institutions within the portfolio, with the largest concentration from Northrim and First National Bank of Alaska. Mr. Weitzner highlighted that his presentation that he gives in different communities to their Chamber of Commerce always includes information of the Loan Participation Program, including the total loans and dollar amount within that specific community.

Mr. Fogle discussed that there are other communication opportunities to alert the public about the Program, which could include the Economic Development Councils across the state. He expressed his concern that this year does not look to be a big year for writing new loans. Mr. Weitzner commented that the Program remains popular and merits the large capitalizations. Ms. Janssen noted that the start of the Program during this calendar years began later than anticipated and many applications are being received now, which will result in a distinct increase in the data in the next month's report. Ms. Janssen mentioned the weather events earlier in the year that contributed to delays in applications. She informed that she has been reaching out to smaller banks and presenting to new loan officers, as well as speaking at the BIA Providers Conference last week to potential borrowers and educating them on ways AIDEA can assist off-road and rural areas with this Program. Mr. Fogle noted that those types of communications are exactly what he suggests AIDEA continue to develop. There were no additional questions.

7C. Board Resolution Report

Mr. Weitzner informed that the quarterly update is at the request of the Board. It regards the resolutions that have passed and their remaining funding status. There were no questions.

7D. Quarterly Investment Measure Service Review

Mr. Weitzner discussed the quarterly investment report from the external advisor Callan has been provided to the Board. It is available within the Executive Director's office for review.

Chair Pruhs asked Mr. Weitzner if Callan should make a presentation to the Board to discuss the current economic conditions and recommendations regarding adjustments to the portfolio. Mr. Weitzner stated that AIDEA engages Callan as the external advisor regarding the interaction with asset managers for external investments. He noted that staff can request Callan to present an update to the Board regarding the status they are seeing regarding different portfolio adjustments that are based upon interest rate changes. Chair Pruhs commented that things have changed quickly in the last 60 days, and he thinks their information would be good for the Board to hear. Mr. Weitzner indicated that Callan normally presents annually to the Board, following the year-end reports, but that he can bring them in to present to the Board at the next meeting. There were no additional questions.

7E. Next regularly scheduled AIDEA Board Meeting, Wed. May 25, 2022

8. BOARD COMMENTS

Mr. Fogle thanked Mr. Weitzner for his efforts and presentations today. Mr. Fogle requested an update on the Ambler Access Road summer work season. Mr. Weitzner believes there was an update on the current status of the engagement at the Department of Justice and Department of Interior related to the Record of Decision. At this point in time, there has been no decision on that by the District Court of Alaska. AIDEA has been operating and working with the BLM and the underlying stakeholders following the annual workplan submitted in mid-February.


Mr. Weitzner asked Mr. Heimke to provide an update on that engagement with the BLM. Mr. Heimke informed that per the programmatic agreement, there were a few moving pieces with the BLM. The BLM suspended the right-of-way of federal lands. This did not suspend work on the preliminary design, including surveying, fish studies, hydrology, et cetera. Work has continued on planning. Workforce engagement and job fairs are occurring this week and next week in the NANA region. Review period dates have been received from the BLM. The annual field report comments have been released and work is active regarding those comments. The field plan has been distributed and the BLM is working with AIDEA under the programmatic agreement. Applications for State land summer permits are being completed. AIDEA is engaged with Doyon and NANA under existing permits and agreements. Staff continues to gear up for the 2022 field season.

Mr. Fogle asked what the target date is for boots-on-the-ground working. Mr. Heimke noted that the target date is June 1. Mr. Weitzner indicated that much of the work under the development agreement is in coordination with partner Ambler Metals for the final feasibility and permitting activities, including the annual workplan approvals from Board resolutions and for Ambler Metals' portion of the budgeted amount of approximately \$30 million of work. The annual workplan is going forward as designed.

Chair Pruhs thanked Mr. Weitzner and staff. He welcomed Megan Schmidt to her new position as HR Director. Chair Pruhs thanked Board members and looks forward to the next meeting.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 4:00 pm.



Alan Weitzner, AIDEA Executive Director
Secretary