

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, January 24, 2024
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on January 24, 2024, at 12:15 pm. 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); Adam Crum (Commissioner, DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

3. AGENDA APPROVAL

Randy Ruaro, Executive Director, requested the Executive Session is limited to matters related to AIDEA's finances and budget, and is moved to Item 6A. The agenda items following will be changed to Item 6B. Resolution L24-01, and 6C. Resolution L24-02. There was no objection.

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda, as amended, with Item 6A. Executive Session, Item 6B. Resolution L24-01, and Item 6C. Resolution L24-02. Motion seconded by Mr. Fogle.

The motion to adopt the agenda, as amended, passed without objection.

4. PRIOR MINUTES – December 6 Meeting Minutes

MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of December 6, 2023, as presented. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of December 6, 2023 passed without objection.

5. PUBLIC COMMENTS

Krista Gonder provided a detailed historical background of challenges and roadblocks of working with AIDEA in 2022, 2023, and 2024. Her first application in 2019 was instantly approved after the preflight, and the loan commitment was issued about four months later. In May of 2020, Ms. Gonder requested a one-year extension due to the global pandemic. AIDEA denied the extension and Ms. Gonder lost the 1% application fee and the 3.3% interest rate. In July 2022, Ms. Gonder brought the same property and building through the preflight process. A new appraisal was requested, and construction was granted by the lender. About four months later, AIDEA stated that a loan commitment would not be issued without a Phase I Environmental Report. This was not a requirement in 2019 when the loan commitment was

previously issued. Ms. Gonder spent over \$4,000 providing the report. AIDEA issued a loan commitment in May 2023. Meanwhile, the building construction was complete and tenant improvements were ongoing. AIDEA then delayed the closing again to conduct a site visit in Fairbanks and continued the delay with additional changes to the documents. The final closing was in October 2023. Ms. Gonder noted that AIDEA's delays cost her tens of thousands of dollars in construction loan interest.

Ms. Gonder discussed that her current refinance application is experiencing the same difficulties. She received the preflight greenlight from AIDEA in June 2023. AIDEA conducted a site visit and issued the loan commitment in November 2023. However, on November 30, 2023, AIDEA requested a second site visit. During that week and subsequent weeks, the published rate continued to fall below AIDEA's rate. Ms. Gonder stated that she requested AIDEA to honor the published rate and that AIDEA declined and suggested that the course of action could be that she resubmit the application and pay all new fees. Ms. Gonder decided to sign the loan commitment rather than waiting potentially another six months. Her lender submitted final loan documents over four weeks ago, and business decisions and Alaskan jobs have been created throughout the summer and fall. Ms. Gonder noted that AIDEA has since come to her saying that her file is "under further legal review" because of issues between AIDEA and her lender, and there is still no closing date.

Ms. Gonder commented that AIDEA's current operations are hindering business in Alaska. She encouraged the Board to examine the unproductive changes that have occurred and to return to the processes AIDEA followed in 2019 of encouraging investment and economic growth in Alaska. Ms. Gonder emphasized that AIDEA needs rate flexibility, especially in a market where a rate reduction could help spur economic development, rather than the current bureaucratic processes that hinders economic growth. Ms. Gonder respectfully requested an interest rate modification and for her loan to close this month. She does not believe she should be caught in the middle of a bureaucratic battle.

Chair Pruhs requested Ms. Gonder send her written testimony to AIDEA. He asked Tiffany Janssen, Chief Loan Officer, to ensure that staff review the information and follow up with Ms. Gonder.

There were no other members of the public wishing to make a public comment.

6. NEW BUSINESS

MOTION: A motion was made by Vice-Chair Kendig to enter into executive session for the purpose of discussing the following: litigation and strategy related to ANWR leases, litigation and strategy related to Ambler Road, matters related to AIDEA's finances and budget, other matters related to AIDEA subject to the executive order submitted by the Governor to the Legislature and relate to specific legal advice and financial matters. These matters, which if discussed in public, could have an adverse effect on the finances of AIDEA, are matters that are attorney/client privilege, and matters involving consideration of government records that by law are not subject to public disclosure due to executive or deliberative process privilege or other law. The executive session and matters discussed

therein are proper subjects for an executive session under the Alaska Open Meetings Act, reference AS 44.62.310 (C)1, 3, and 4, and the Alaska Public Records Act. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to enter into Executive Session passed unanimously.

6A. EXECUTIVE SESSION: 12:20 pm. Confidential and deliberative matters related to: litigation of the AIDEA ANWR leases, litigation and administrative matters related to the Ambler road, matters related to AIDEA's finances and budget which are subject to the deliberative process privilege, and other matters related to AIDEA actions that are subject to specific legal advice which is subject to the attorney-client privilege and communications.

The Board reconvened its regular meeting at 2:30 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters directly protected from public disclosure by the Open Meetings Act.

6B. Resolution No. L24-01 601 Fifth Loan Request and Presentation

Chair Pruhs requested Ms. Janssen to provide an overview. Ms. Janssen discussed that Resolution L24-01 for 601 Fifth Avenue, LLC is a loan request from Global Credit Union for AIDEA to participate in the amount of \$25 million for a \$40 million project. The use of the proceeds is for the equity extraction of a non-owner-occupied building in downtown Anchorage to build an adjacent parking garage, which is a requirement of the primary tenant's lease. Ms. Janssen introduced one of the owners of the property Joseph Fang and his son Derrick Fang. Mr. Joseph Fang gave a presentation focusing on the Block 41 Development and its vibrant impact on the whole city. The development is a culmination of approximately 30 years of effort to acquire the entire block. The initial acquisition was of the KeyBank Plaza in 1995.

Mr. Joseph Fang discussed the overall vision of Block 41. He noted there are no true four-star or five-star hotels in Anchorage. The aspiration is to create a catalyst for urban renewal and a source of local pride for Anchorage that will be attractive to both tourists and locals year-round. The comprehensive plan includes connection of the garage to the Egan Center for skybridge access to the Performing Arts Center. Mr. Joseph Fang highlighted the vision to preserve the heritage of Anchorage. He noted the particular struggles with the 4th Avenue Theatre. The signage and all the murals have been preserved and will be integrated into the new development. Mr. Joseph Fang discussed the diagrams and architectural renderings that include a 500-car garage, a 200-room four-star/five-star hotel, 400 residences, and a variety of different retail activities. The development is expected to bring in over 1,000 new visitors to the downtown area every day.

Mr. Derirck Fang continued the presentation and showed the rendering of an exclusive fitness center, complete with men and women's locker rooms and showers, lactation rooms, and a secured bicycle locker room. The plan includes the creation of a wellness center that is open to the public. He showed illustrations of the lobby, a coffee kiosk, the conference center, and the mezzanine seating area.

Ms. Janssen continued the overview and noted that 150 construction jobs and 450 new jobs are anticipated from the project. She discussed that the Fangs are experienced real estate developers and have operated in the Anchorage real estate market for decades. They also have holdings in California and Guam. The Fangs have a local manager onsite in Anchorage that has been working with the building and the tenants over the last couple of years. The office space is Class A, with 84% of the building currently rented and 100% non-owner occupied.

Ms. Janssen discussed that a Deed of Trust with Assignments of Rents in the first lien position will secure the loan, and an Assignment of Leases is also required. The remaining economic life of the collateral is 55 years. The net operating income for the first year to proposed debt service exceeds the minimum required standard of 1.25:1. The full aggregate exposure for AIDEA is \$25 million, which is the statutory maximum. The lender provided a Phase I Environmental Assessment, and no further action was indicated. Ms. Janssen discussed that the national average vacancy rate for office space is just below 13%. In downtown Anchorage, however, the vacancy rate for Class A office space is 3.5%. In the past five years, there has been no new development of square footage added to the downtown area and asking rents have increased by 4.49% since Quarter 4 of 2020. Due to the quality of construction, strategic location, and existing interest in national tenants, the subject property is expected to perform well in the near term.

Ms. Janssen indicated that the proposed loan aligns with AIDEA's portfolio diversification policy. The lead underwriter Global Credit Union recommends approval based upon the acceptable debt service coverage ratio and the collateral value at stabilization, supporting a lower LTV. The collateral will be fully renovated at completion. The loan meets AIDEA's mission and staff recommends approval of the loan participation as proposed with the agreed covenants and conditions that are listed in the public memorandum. There were no questions.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution L24-01, 601 Fifth Avenue loan request. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution L24-01 passed unanimously, with Commissioner Sande absent and Commissioner Crum absent.

6C. Resolution No. L24-02 – Alaska Hotel Group Loan Request and Presentation

Ms. Janssen discussed that Resolution L24-02 for Alaska Hotel Group, 239 West 4th Avenue, Limited Partnership, is a loan request from Northrim Bank for AIDEA to participate in the amount of \$25 million in a \$35 million loan. Ms. Janssen noted that guarantors Mark Begich and Sheldon Fisher will provide the presentation. Mr. Begich discussed that his professional background and experience include the hospitality industry in New Mexico, Wyoming, and Nevada, as well as the retail, grocery, and redevelopment industry in Alaska. Mr. Fisher provided his professional background including his recent position of Chief Strategy Officer for Providence, Commissioner of the Department of Revenue under Governor Walker, and Chief Operating Operator for McKinley Capital. Mr. Fisher noted that he focuses on operational and financial matters of the business, while Mr. Begich focuses on construction aspects.

Mr. Fisher discussed that the subject property is a hotel located at 239 West 4th Avenue close to

the museum, 5th Avenue Mall, and the Performing Arts Center. The property began as a Holiday Inn in 1970, and is most recently branded as the Aviator Hotel. He noted that this area is surprisingly undeveloped. There were five employees when the property was acquired, and there are now an average of 40 and 50 employees. Mr. Fisher expects approximately 100 direct employees when the hotel is fully functioning, as well as another 50 indirect employees. This is a boutique hotel with 251 rooms. During construction, there will be approximately 250 direct and indirect employees. Mr. Fisher discussed the architectural rendering of the design and the current pictures of development. He noted the intent to collaborate with local artists to create murals on the exterior of the building and to incorporate artwork on the interior for the location to be part of Anchorage's Friday Art Walk.

Mr. Begich discussed the plan for vibrant lighting of the property and the sidewalk improvements by the City. The property was allowed to install and operate cogeneration heated sidewalks for an ice-free entrance to the property. Mr. Fisher reviewed that the main entrance will be moved from 3rd Avenue to 4th Avenue. He showed a rendering of the new lobby. Mr. Begich highlighted the use of small local businesses to assist in specific areas of the project, including the retail space in the lobby that will focus on selling goods of Alaskan artisans. Mr. Begich discussed that his wife and brother will be partners in the retail store. His wife owns the successful unique Alaskan retail stores at the airport and utilizes over 250 Alaskan vendors.

Mr. Fisher continued the presentation showing the entrance to the restaurant will be off "C" Street. The goal is to make the restaurant a destination for locals. Partnership has occurred with Midnight Sun Brewery for the restaurant and onsite microbrewery. Additional design features were discussed. The second and third floors will contain outdoor decking. A view of Denali can be seen from the decks. Mr. Fisher showed examples of the finished hotel rooms and noted that almost everything in the room can be purchased from the retail store and shipped directly to guests.

Mr. Fisher commented that on a long-term basis, the pandemic was a benefit to the hospitality sector in Anchorage. Prior to the pandemic, the tourism industry tended to rely on the cruise industry. During the pandemic, Anchorage attracted the free independent travelers. By 2022, the revenue per available room benchmark was 17% greater than it was in 2019, and in 2023 had increased an additional 6%. The free independent travelers are increasing their travel to Anchorage in the off-season. Anchorage is a growing and dynamic market. Mr. Fisher explained that even though confidence in the market is strong, the hotel maintains business interruption insurance. He discussed that the partner Springboard Hospitality will be the operator of the hotel. They have operated for over 30 years, and currently operate 46 hotels in 13 states with experience in destination locations. Mr. Fisher highlighted their technology and focus on revenue management.

Mr. Fisher emphasized that the project is centered on the redevelopment of downtown and the revitalization of the east end of 4th Avenue. He indicated that this level of confidence led to the acquisition of the old Post Office building across the street. Mr. Fisher showed a rendering of the vision with condominiums on the top floor with both north and south views. The middle floor on 4th Avenue will be an open-style market like Pike Place in Seattle. The first floor on 3rd Avenue will include a grocery store and additional shops. Mr. Fisher discussed the good working

relationship with the city and with Anchorage Convention & Visitors Bureau (ACVB) to revitalize downtown, create economic development, and provide visitors with a better experience.

Commissioner Sande expressed appreciation for the thorough presentation and information.

Mr. Fogle expressed appreciation for the recent tour of the facility and for sharing the vision. He shared a personal comment that he would like for downtown, the street level of 4th Avenue, to have a greater Alaska Native presence like the Hawaiian dancers in Hawaii. Mr. Begich noted that the artwork in the hotel will be Alaskan art. There will also be a venue for the steady rotation of Alaskan artwork. Mr. Begich explained that 95% of the investment partners in the project are Alaskan who are committed to the development of downtown.

Mr. Eledge expressed appreciation for the coordinated effort and consideration of the entirety of downtown and believes it is a key component to revitalizing downtown. He hopes that other developers will take such considerations. Mr. Begich agreed and noted the importance of the positive shared vision with the Mayor and the Assembly. There were no other questions.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution L24-02. Motion seconded by Mr. Fogle.

Chair Pruhs expressed congratulations to the project for its efforts and looks forward to its success. He believes that this project and the Fang project are anchors for the redevelopment of downtown.

A roll call was taken, and the motion to approve Resolution L24-02 passed unanimously, with Commissioner Sande absent and Commissioner Crum absent.

7. DIRECTORS COMMENTS

7A. Project Updates

Mr. Ruaro discussed that the Ambler Access Project met with Bureau of Land Management (BLM) and is still on schedule to have a final Environmental Impact Statement (EIS) decision issued by March 31, 2024. The final Record of Decision is still expected to be issued on time by June 30, 2024. Over 35,000 comments have been received and responses to the substantive comments will be posted soon. AIDEA submitted approximately 400 pages of comments that were made available to Board members. AIDEA is preparing for the possibility of policy decisions that are contrary to AIDEA's comments. AIDEA is ready to continue the forward effort regardless of BLM's decision.

Mr. Ruaro discussed that outreach on the Ambler Access Project continues and staff will be in Kotzebue in March meeting with Maniilaq and other community groups. On the east side of the project, Allakaket issued a resolution in support of the project. The Hughes and Huslia are supportive of the project and staff will continue to work with the communities. The feedback provided is that the communities want jobs for their residents and revenue from Village improvement programs.

Mr. Ruaro noted that a more detailed update will be provided at the next meeting on the West Susitna Project. The field season is planned. A Corps permit is expected to be filed in the fall. There were no questions.

7B. AIDEA 2023 Annual Report

7C. Loan Dashboard Report

7D. Board Resolution Report

7E. Interior Energy Project Quarterly Report to the Legislature

7F. Statistics Summary: Small Business Economic Development and Rural Development Initiative Fund Loan Programs

7G. Project Fact Sheets

Mr. Ruaro discussed that Items 7B. through 7G. are the standard reports included in the Board's packet and are available to the public.

Chair Pruhs requested an update on Interior Gas Utility (IGU). Mr. Ruaro discussed IGU is moving forward with obtaining the additional equipment and trucks needed to truck gas from the North Slope. AIDEA provided its consent to a \$7 million line of credit for the trucks. Another financing component of \$10 million is expected to be discussed and possibly received in the next five months. Mr. Ruaro will travel to Fairbanks for those discussions. There were no questions.

7H. Next regularly scheduled AIDEA Board Meeting Wednesday, March 6, 2024

8. BOARD COMMENTS

Vice-Chair Kendig expressed appreciation to Mr. Ruaro and staff for the thorough information and the great meeting.

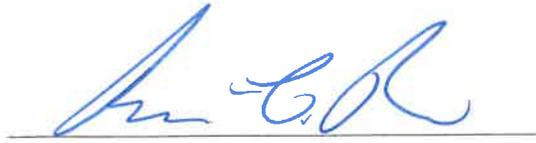
Mr. Eledge expressed appreciation for the transparency of the information and the enlightening collateral walks to see the operational side of the projects. He thanked Mr. Ruaro and staff.

Mr. Fogle commended Ms. Janssen, Mr. Ruaro, and the teams for their good work in bringing in today's two excellent loans to fruition.

Chair Pruhs echoed comments of appreciation to staff for today's efforts. He reminded Mr. Ruaro of the needed AIDEA / AEA EO and the risk analysis and returns on loans. Chair Pruhs indicated that an email will be sent to members reminding them of paperwork that needs to be completed.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:41 pm.

A handwritten signature in blue ink, appearing to read "Randy Ruaro", is written over a horizontal line.

Randy Ruaro, AIDEA Executive Director

Secretary