economic development FINANCING

By Mike Catsi, CEcD

Mike Catsi, CEcD, is business development and communications director of the Alaska Industrial Development and Export Authority. (MCatsi@aidea.org)

INTRODUCTION

In 1967, as Alaskans celebrated the centennial of Alaska's purchase from the Russians and the adoption of its new state motto, "North to the Future," the Legislature set forth in statutes a bold vision for an entity that would promote economic growth and diversity while creating new job opportunities for its citizens. The intent of this legislation was to focus on growing the Alaska economy at a time when the economy depended on appropriations from the federal government, seafood harvesting and processing, mining, and timber. Oil was yet to be discovered in the massive quantities that later would become the primary economic driver for the state.

Allen Marine, a family operated tourism and shipbuilding company, was approved for a $23 million participation loan by Wells Fargo with AIDEA providing $16.1 million.

The authority's mission is to provide affordable, long-term asset financing for commercial and industrial projects in the state of Alaska. While the original bill gave AIDEA limited tools, its financing powers have been significantly expanded over the past 47 years and now include a variety of tools that reflect the evolving nature of the authority and the Alaska economy.

This legislation created the Alaska Industrial Development Authority, which was later changed to Alaska Industrial Development and Export Authority (AIDEA). AIDEA was created as a public corporation, a political subdivision of the state of Alaska, under the Department of Commerce and Economic Development, but with a separate and independent legal existence. This independent legal existence provides the authority with a buffer from the whims of political intervention.

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The authority lay dormant from 1967 to 1978 due to the 1968 discovery of oil in Prudhoe Bay. During this time, the state focused its attention on developing these discoveries and, in response to the 1973 oil crisis, to constructing the 800-mile Trans Alaska Pipeline from the North Slope to tidewater in Valdez.

DEVELOPING THE "LAST FRONTIER"

Promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment. *This was the mandate given to the newly created authority by the Alaska Legislature in 1967. The Alaska Industrial Development and Export Authority (AIDEA) accomplishes its mission by providing long-term, affordable asset financing and by facilitating the financing of a broad range of Alaska's industrial and commercial sectors. In addition to this, AIDEA also has the capability to own and operate facilities to advance this goal and to create meaningful employment opportunities. In the ensuing years, the powers of the authority have expanded and enhanced to meet the needs of Alaska's changing economy and financial needs of its clients.*

The pipeline helped make production of the vast reserves economical, resulting in a maximum daily throughput of 2.15 million barrels in 1988. From the time oil first traveled down the pipeline in 1977 to 2014, over 17 billion barrels of oil have made the journey to Valdez.

The current AIDEA began to take shape in 1981 when the Legislature transferred $15 million in cash and $165.5 million in a loan portfolio to the authority in order to capitalize a Loan Participation program. These funds were used to finance operations and support the state's banking system by purchasing portions of commercial loans in the secondary market.

REVOLVING FUND

The Legislature created the Revolving Fund in AIDEA to be the vehicle by which it finances its investments and loans. Within the Revolving Fund are two separate accounts each with a distinct purpose. The Enterprise Development Account is used to secure bonds that the authority issues to finance the purchase of loans for projects, or to purchase participation in the loans for projects. The Economic Development Account is used to finance, acquire, manage, and operate development projects that AIDEA intends to own and operate, or to provide development project financing for development projects it does not intend to own and operate.

The authority currently (as of June 30, 2014) has $1.33 billion of assets under management in its Revolving Fund. These comprise three distinct classes: project assets, short-term investments, and an extensive loan portfolio. Project assets are valued at $543 million and consist of projects in which AIDEA retains an ownership position. These projects include, among others, the Ketchikan Shipyard, Skagway Ore Terminal, and the Fed-Ex Maintenance, Repair and Operations facility at Anchorage International Airport. AIDEA maintains about $380 million in short-term investments that are easily accessed for its use. The remaining $407 million is composed of the outstanding balances of the loans in its portfolio.

AIDEA has a very favorable credit rating of AA+ from Standard & Poor's, which is due to its strong balance sheet, conservative and effective management of its assets, and consistently strong performance. This high quality credit rating allows it to borrow money cheaply, which it is then able to pass on those savings to its clientele.

ANNUAL DIVIDEND

In 1996, a dividend program was created to pay between 25 and 50 percent of AIDEA's net operating income to the state's General Fund. These dividends not only repay the state for the capital infusions it invested in AIDEA originally but also provide a long-term, sustainable source of revenue to finance General Fund activities. Since 1996, the authority has declared 20 dividends totaling $373.6 million.

SKAGWAY ORE TERMINAL

Loading a vessel with copper concentrate from the Skagway Ore Terminal.

PROJECT DESCRIPTION

In July 1990, AIDEA purchased the Skagway Ore Terminal (SOT) to bring stability to Skagway's then major year-round industry; fund essential environmentally efficient renovations to the terminal; and open the door to additional economic growth by marketing the terminal to other potential users. The current user is Minto Explorations Ltd., a subsidiary of Capstone Mining Corp. The user contracted with Mineral Services Inc. (MSI) to operate and maintain the terminal in April 2008.

The SOT consists of a 6.7-acre industrial waterfront lot whose primary features include: a 98,000-square-foot 16-inch thick concrete floor surrounded by concrete containment walls, office, shop, laboratory, electrical and wash buildings; enclosed materials handling loadout conveyors and ship loader; and an adjacent lot which contains a fueling facility (two 10,000-gallon day tanks) and tank farm (four 30,000-gallon storage tanks).

PROJECT HISTORY

The terminal was constructed in 1969 and began shipping ore from the Cypress Anvil Mine in the Yukon Territory. This concentrate was loaded onto freighters and barges at the terminal from 1969-1993, with brief interruptions from 1982-1986 and 1995-1997. Approximately 50,000 tons of low-grade zinc (60 percent) and lead (40 percent) ore concentrate from the Faro Mine passed through the terminal each month. Ore was transported to the terminal by railcars until 1982, and then by trucks from 1986-1993. Ore was loaded onto freighters and barges every two weeks on an open conveyor system until 1991 when the system was enclosed during a major renovation of the entire terminal.

AIDEA purchased the lease on the property and the terminal facilities in 1990. A drop in base metal prices in 1993 forced the shutdown of the facility but it was reopened in 1995 for 16 months. In 2003, AIDEA demolished the old concentrate storage building because advanced corrosion had created safety problems. In January 2007, AIDEA signed a contract with the current customers, led by Sherwood Copper, and constructed a new 14,000 SF concentrate storage building. Ore shipping resumed in October 2007, and has continued. Minto/Capstone shipped 60,663 dry metric tons of copper concentrate through the terminal in 2014.

BUDGET/FINANCE

The original acquisition budget was $25 million which was financed with tax-exempt bonds sold by the authority, to be repaid with terminal user fees. AIDEA financed the Minto/Capstone upgrades for a total of $14 million (AIDEA funds on hand) and was reimbursed by tenant fees over a seven-year period. Minto/Capstone pre-paid the outstanding balance of $8.5 million (plus a pre-payment fee) in December 2010.

PROJECT/ ECONOMIC BENEFITS

Under current operations, the SOT creates up to 10 jobs at the terminal, plus jobs associated with the trucking of the concentrates from the mines to Skagway. Mineral concentrate shipping operations normally occur on a year-round basis, enhancing employment in a community otherwise heavily dependent on the summer tourist season. AIDEA continues to engage with potential users of the terminal. Additionally, all Skagway residents benefit from the enhanced winter road maintenance to Whitehorse, as well as additional revenue through real property taxes.

KETCHIKAN SHIPYARD

PROJECT DESCRIPTION

The AIDEA owned Ketchikan Shipyard, which is operated by Vigor Marine, provides vital jobs to Ketchikan which underwent a considerable downturn when the veneer and lumber mills closed down in the 1990s.

The Ketchikan Shipyard consists of approximately 25.27 acres of real property, various buildings and improvements, a 10,000 long-ton floating dry-dock, and a variety of equipment and tools. AIDEA acquired title to and ownership of the Ketchikan Shipyard ($80.3 million) and entered into an agreement with Alaska Ship and Drydock (ASD) for the operation of the shipyard effective July 1997. Vigor Industrial purchased the shipyard operator, Alaska Ship and Drydock, in March 2012 and ASD's name changed to Vigor Alaska.

PROJECT HISTORY

The Alaska Department of Transportation & Public Facilities (DOT&PF) spent approximately $30 million to construct the shipyard during the 1980s to provide maintenance for Alaska's ferry system. Under an agreement with the state of Alaska, the city of Ketchikan subleased operation and management of the shipyard to private contractors, each of which experienced difficulties. In 1991, the state canceled its lease with the city and closed the shipyard for two years. In November 1993, DOT&PF awarded an operating contract to reopen the shipyard and manage Alaska's ferry overhauls. In July 1997, the shipyard was transferred from DOT&PF to AIDEA. In conjunction with the transfer, an MOU between AIDEA, city of Ketchikan, Ketchikan Public Utilities, and the Ketchikan Gateway Borough was established. In 1997, the operating agreement for the shipyard was established between AIDEA and ASD.

BUDGET/FINANCE

The shipyard has undergone a series of expansion and upgrade projects since 1999, making it one of the most modern in the United States and providing an excellent year-round location for new builds, repair, and refit to support nearly any vessel working Alaska's waters. These capital investments in the shipyard have been funded through a number of different sources including federal transportation programs, the EDA, state of Alaska, AIDEA, and the Ketchikan Gateway Borough. AIDEA does not provide financial support for shipyard operations.

AIDEA's financial return from the shipyard is based on terms in the Agreement for the Operation and Use of the Ketchikan Shipyard, which was amended in 2005. Under the amended agreement, the financial returns are through revenue and net profit sharing, first to reimburse AIDEA's administrative expenses, next into the R&R fund until it's funded to 125 percent and then distributed as profit sharing to AIDEA, the borough, and city of Ketchikan.

PROJECT/ ECONOMIC BENEFITS

AIDEA's goal is to establish the shipyard as a viable enterprise, creating and maintaining permanent jobs in Ketchikan with long-term economic development impacts. The shipyard currently provides 161 direct jobs and provides reliable, cost effective and quality vessel maintenance repair and construction services.

In September 2014, Vigor Alaska was selected to build two Alaska class ferries at the shipyard. At 280 feet, each ferry will seat up to 300 passengers and carry 53 standard vehicles. This project will increase employment by 60-80 per year for four years, and result in an additional $22 million in wages and $9.8 million in local spending for a total of $32.1 million.

STRATEGIC PLANNING

Between 2008 and 2010, AIDEA underwent a comprehensive strategic planning process to review its programs and tools, organizational structure, regulations and statutes. During this process, it actively solicited input from stakeholders. The resulting plan provided a range of suggested financial tools, programmatic revisions, and organizational changes to be undertaken over a five-year period. The goal was to modernize the authority. The three strategic initiatives that resulted from these efforts were:

1. Diversify and grow AIDEA's assets to support economic development,
2. Improve AIDEA's existing programs and add targeted new economic development financing tools, and
3. Expand the deployment and impact of AIDEA's economic development financing.

These strategic recommendations were adopted and implemented over a four-year period with the net result that AIDEA's financial tools were expanded, structural changes were made, and its statutes were updated to better reflect the current needs of its clientele. As a result, it is now seen as a successful and innovative development finance authority and is considered a best practices model.

PROGRAMS

The authority's programs are based on commercial and project finance principles rather than incentives, grants or subsidies. Built into its statutes is the intent that AIDEA will not only recoup its investments but it will also earn a return on those investments. These returns cover the cost of funds, and administrative and program costs. Return levels are calculated as a function of the risk profile of each investment.

All potential projects are reviewed to ensure they are consistent with its mission and are analyzed to determine whether a sound business case can be made. Each project must meet these criteria after undergoing a comprehensive due-diligence process prior to any decision to invest. In general, the final approval for investments over $2 million is made by the Board based on the analysis conducted by staff. In those cases where AIDEA lacks the expertise to conduct its own underwriting, it contracts with firms to provide that capacity.

CONDUIT REVENUE BONDS

In AIDEA's establishing statutes is also the authority to issue bonds to fund its investments. These bonds are General Obligation bonds backed by a moral obligation of AIDEA but not of the state. AIDEA has since added revenue bonds to that authority and since 1978 has issued 317 bonds for a total of $1.4 billion.

The authority provides access to the affordable tax-exempt bond markets for projects that meet the federal eligibility criteria. While its GO bonds require a promise from AIDEA for their repayment, revenue bonds are based on the projected revenues of the project itself for repayment. The authority's role is to lend its expertise to the issuance of the bonds, in essence, providing a conduit between the seller and the buyer(s). While no assets of the authority are at risk, AIDEA does receive fair compensation for its services through issuance fees which are based on the amount of the bond.

Revenue bonds have been used most recently for financing hospital expansion projects both in Anchorage and Fairbanks, veterinary and eye clinics, a brewing company, multiplex cinema, and an airport car rental facility.

LOAN PARTICIPATION PROGRAM

The Loan Participation Program is a long running and hugely successful program at AIDEA that provides support to the state's private sector commercial lending institutions. Hundreds of loans have been purchased through this program. The economic benefits – jobs created or retained – are significant. Since 2002, over 10,000 construction and permanent jobs have been created and/or retained.

The program allows AIDEA to purchase a participation in a commercial loan originated by an eligible commercial lending institution. It can purchase up to 90 percent of a loan to a maximum of $20 million. The program provides the benefit of long-term fixed or variable rate financing on the portion of the loan purchased by the authority. By participating in the secondary market, the authority ensures that it does not compete with the state's commercial lenders, but rather shares in their risk and frees up valuable capital in those institutions. The benefits to the borrower are the blended terms, which on AIDEA's portion tend to be longer, up to 15 years for equipment or 25 years for real estate, increasing the cash flow for the business and reducing the burden of debt service. This program works well for the lenders because they receive credit for the whole loan, service the loan for the entire term, and have higher liquidity in order to make additional investments.

AIDEA's role is to promote economic development and it does so, in this case, by incentivizing the deployment of private sector debt capital. This program facilitates the development of many projects which do not fit neatly into a lender's risk profile or into their portfolio's asset classes. Given that the loans are

Fairbanks Memorial Hospital has undergone several expansions in part financed by tax-exempt revenue bonds issued by AIDEA.

EQUITY – AIDEA 100 PERCENT OWNERSHIP

DeLong Mountain Transportation System (DMTS)

In the early 1980s, the state of Alaska, in partnership with Teck Cominco, authorized AIDEA to finance, develop, and own the infrastructure needed to support operations at the Red Dog Mine in northwest Alaska. The Red Dog Mine has at various times been the largest and/or the most valuable zinc mine in the world.

DeLong Mountain Transportation System port and ore concentrate storage facilities for the Red Dog Mine. The port and the 52-mile road connecting the mine to the port are owned by AIDEA and Teck repays AIDEA's investment through tolls and throughput fees.

The Legislature committed $143.5 million in cash and a loan portfolio to AIDEA for use in compiling the financing required to construct the project. The original DeLong Mountain Transportation System (DMTS) project included a 52 mile long limited-access, industrial road; two large ore concentrate storage sheds; a conveyor system and ship loader; bulk fuel storage; and onsite employee housing. The project cost $185 million, which AIDEA funded through bonds. In later years, an additional $85 million was spent on upgrades as ore production increased.

The economic and social benefits that have resulted because of the mine are difficult to estimate, but it can be said that the entire region is different because of it. The mine is located on NANA lands, an Alaska Native Corporation, which owns the sub-surface rights. The mine was built in partnership between Teck Cominco and NANA, with agreements covering revenue sharing, employment opportunities for NANA shareholders, and protection of traditional subsistence and cultural resources.

Repayment of AIDEA's investment is achieved through a "toll" structure for use of the road and port. The toll mechanism provides for a minimum annual payment and additional payments based on escalated zinc prices and higher throughputs. The additional throughput payments are deposited to a reserve account that is used for any potential unpaid operation costs or future capital improvements. AIDEA's tolerance for patient capital was critical to the success of this project and the repayments were structured over a 50-year term with an expected ROI of 6.5 percent.

Examples of the benefits include:

- 500 regular and 100 seasonal jobs,
- Direct and indirect payroll for local residents is approximately $15 million annually,
- Royalty payments from Teck to NANA are more than $35 million annually,
- Payment in Lieu of Taxes to the Northwest Arctic Borough are more than $9 million, and
- In 2010, the Red Dog deposit accounted for 73 percent of all US zinc production and 82 percent of Alaska's mineral export.

Today, the mine has begun operations on the Aqqaluq deposit after its first deposit was depleted. This will keep the mine operating for another 20 years and 2015 represents 25 years of ore concentrate shipped through the road and port. The mine has developed a well-paid, trained workforce that allows local residents the option to live in their communities and continue to participate in their traditional ways while providing a sustainable future for younger generations.

EQUITY – PARTIAL OWNERSHIP THROUGH AN LLC

Mustang Operations Center 1, LLC. (MOC 1)

The Mustang Operations Center #1 (MOC 1) is an oil and gas processing facility to produce pipeline quality crude oil for sale through the Trans-Alaska Pipeline System (TAPS). MOC 1 is under construction on Alaska's North Slope and is designed to process 15,000 barrels of oil per day. Unlike the DMTS where AIDEA is the sole owner of the asset, this project is being financed and constructed in two phases with different special purpose vehicles for each phase.

The authority's $70 million investment in the project leverages an additional $540 million in private investment in the facility, infrastructure, and development of the field. The development of MOC 1 provides numerous benefits, including the following:

- Production of oil that will sustain the flow and life of North Slope oil infrastructure and the TAPS,
- Estimated state royalty and production tax payments to the state of more than $300 million based on proven reserves,
- More than $45 million in property tax payments to the North Slope Borough over the project lifetime,
- Up to 250 jobs for the design and construction of the facility,
- Up to 20-25 full-time jobs for facility operations,
- Over 200 indirect long-term jobs due to local facility related spending and expenses, and
- Enables the continued exploration and development of oil from other nearby fields and leases.

Phase 1 - Mustang Road, LLC.

In 2013, the construction of the 4.5-mile road and 17-acre production pad was completed. This phase was financed through the Mustang Road, LLC., in which AIDEA invested $20 million while Ramshorn Investments and the Alaska Venture Capital Group provided the remaining $7 million. The authority's term on this portion of the project is 15 years at an annual interest rate of 8 percent. Over the past two winters, the LLC generated significant revenues from use of the road and pad by other firms operating in the area.

Phase 2 – MOC 1, LLC.

Construction of phase 2, the oil processing facility, began in early 2015 and is expected to be flowing oil into TAPS in the first quarter of 2016. AIDEA and CES Oil Services Pte, Ltd. (CES) will own the facility through MOC 1, LLC, while Brooks Range Petroleum Corporation will build and operate the facility. MOC 1's financing is comprised of a $1 million contribution by CES, a $150-175 million loan arranged by CES from Strategic Equipment Inc., and AIDEA's $50 million investment via a preferred share ownership. AIDEA's financing is to be repaid over a seven-year period with a quarterly dividend and annual share repurchases following first oil.

originated by the lender and then sent to the authority for further underwriting, the default rate in these loan participations is extremely low. The average default rate for FY2014 was 0.50 percent.

Examples of the Loan Participation Program include:

Allen Marine was approved as a $23 million participation loan, with the authority providing 70 percent support to Wells Fargo Bank's. Through the AIDEA and Wells Fargo partnership, Allen Marine was able to restructure long-term and short-term debt; provide startup capital for Alaskan Dream Cruises; and create 12 construction, four permanent and 40 seasonal positions in Alaska.

B&L Motels, Inc., a Kansas corporation that owns and operates eight hotels in Alaska, Washington, Arizona, Colorado, and Kansas, was approved for $5.4 million (90 percent) of a $6 million loan brought to AIDEA by First National Bank Alaska, which originated the loan. The purpose of the loan was to refinance debt and provide long-term financing of a newly constructed 79-room Comfort Suites hotel located in Anchorage.

AIDEA approved a loan participation to *Sea Lion Corporation* in the amount of $1,012,500 (90 percent) of a $1,125,000 loan brought to AIDEA by First National Bank Alaska. The purpose of the loan was for term financing of a 6,390-square-foot building located in Hooper Bay and leased to the United States Postal Service; the State of Alaska Court System; and GCI, an Alaska communications firm. This project, which included renovations to create space for a new courthouse, created 15 construction jobs and five permanent positions.

PROJECT FINANCE

Project finance is the long-term financing of infrastructure and industrial projects based upon the projected cash flows of the project. A typical financing structure would include a number of equity investors as well as banks or other lenders that provide loans to the project. These loans are often non-recourse loans, secured by the project assets and paid from project cash flow. The financing is secured by the project's assets, and the lenders are given a lien on the assets in case of default.

AIDEA was given the authority to own and operate assets in the mid-1980s in order to assist Teck Cominco in developing what was to become the world's largest zinc mine, the Red Dog Mine in Northwest Alaska (see DeLong Mountain Transportation System - DMTS sidebar). Since then, AIDEA has taken an ownership position in several projects around the state either by direct investments, e.g. Skagway Ore Terminal, or by pass through agreements from the federal government, such as the Ketchikan Shipyard and the Snettisham Hydroelectric Plant.

AIDEA owns but generally does not operate assets. When it is taking a partial ownership position, a special purpose vehicle is created for each project, outlining the ownership and operating agreements under which the vehicle is structured. Each project is highly collateralized to protect the authority's investment and, in most cases, an exit strategy is defined in those agreements. These assets are then made available to the project sponsor, and AIDEA's investment is repaid through leases, user fees, tolls and/or other receipts.

The range of projects eligible for project finance is intentionally broad, allowing AIDEA the flexibility to facilitate economic development. Under this program, projects including natural resource development and processing, manufacturing, transportation infrastructure, federal facilities, energy, communications and others are eligible for financing. While the authority does not actively pursue projects, it does actively implement business development strategies by engaging with industry trade groups, chambers of commerce, economic development organizations, and the state's investment community.

The authority was originally required to be the sole owner of projects it owned and operated. This was the working position for many years, and many successful projects were completed under this system, e.g. Ketchikan Shipyard, Skagway Ore Terminal, Fed-Ex MRO Facility in Anchorage, and the DeLong Mountain Transportation System. This system did require AIDEA to take all of the risk in the project with little recourse other than having sole possession of an asset that may have limited use or value in the event of a default.

Recent legislation allows AIDEA to take a partial ownership position in a project. This strategy accomplishes two things; first, it can invest as a partner with the private sector in the project, sharing in the cost as well as in the risk, and second, it is able to leverage its resources, freeing up funds for additional investments. This new approach to investment has significantly changed the manner in which the authority analyzes and deploys its resources.

Another recent addition to its project finance suite of tools is the ability to make a direct loan to a project rather than take an ownership position. These types of projects may include those that play an important economic development function, or projects that require only relatively small investments, both of which may be completed more efficiently through direct lending.

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SPECIALTY AND LEGISLATIVE PROGRAMS

In addition to its main programs, the authority also manages programs that are narrower in scope, or created by the Legislature to address specific areas of need. The following programs are examples of these.

New Markets Tax Credit Loan Guarantee Assistance Program

In 2011, the authority identified the need for a program to incentivize Alaska's banking community to become more engaged in the federal New Markets Tax Credit (NMTC) program. The issue identified by project proponents was the difficulty in securing a leveraged loan as part of the NMTC transaction which inhibited their ability to secure the needed NMTC credit allocations for their projects. This portion of the transaction requires lenders to forbear from foreclosure and collect interest only for the seven-year transaction period.

AIDEA saw an opportunity to mitigate risk for lenders by providing a loan guarantee for the term of the transaction. In 2012, the Legislature passed enabling legislation and the program was capped at a $40 million rolling total. While several projects have approached it for assistance, no transactions have been completed as yet, mostly because of the substantial demand for allocations around the nation.

AIDEA partnered with the private sector to bring a second jack-up rig to Cook Inlet for oil and gas exploration.

Small Business Development Loans

AIDEA has two small business development loan programs that it has capitalized either solely or in partnership with the Economic Development Administration. These programs have loan limits of $300,000 and are focused on businesses that do not meet the lending criteria of the state's commercial lenders. Both programs are administered by the Department of Commerce, Community and Economic Development on behalf of AIDEA as part of their suite of small business development loan programs. In total, both programs have issued approximately 250 loans, totaling over $29 million, and have created/retained 1,769 jobs. Industry sectors invested in include retail, manufacturing, tourism, accommodation, and restaurants.

The authority's success lies in its ability to operate at arm's length from political interference. AIDEA also finances its own activities, both operating and investments, without assistance from General Fund monies. In fact, the authority makes an annual contribution to the state's General Fund while growing its own balance sheet.

Sustainable Energy Transmission and Supply Development Fund (SETS)

In 2013, the Alaska Legislature created the SETS program within the authority to facilitate the development of the state's energy infrastructure with the goal of reducing Alaska's high energy costs. AIDEA can provide direct loans, loan and bond guarantees, and issue bonds to assist in financing projects. Limitations include $20 million in credit enhancements and 33 percent of the project's costs in direct financing. An initial capitalization of $125 million was to be deployed in developing renewable and non-renewable energy sources to help reduce the cost of energy in Alaska.

The Arctic Infrastructure Development Fund

Created by the Legislature in 2014, the fund is a response to the growing need to develop critical infrastructure in Alaska's Arctic regions. While the US is an Arctic nation, it falls far behind other Arctic nations in economic development and infrastructure. Understanding the critical timelines that must be met if the region is to catch up and keep up, Alaskans have taken it upon themselves to begin the process of identifying the region's needs and in developing creative financing mechanisms to meet those needs. As the Arctic opens up to more shipping and exploration activity, it is critical to have ports, safe anchorages, search and rescue and spill response capabilities, and infrastructure to meet the needs of the region.

The fund allows for financing of construction, improvement, and expansion of emergency response facilities, and other facilities in-state that support the development of the Arctic. Included in this program was the ability to finance the construction and expansion of shore-based plants, equipment or other assets used in the support of a fishery in the Arctic. While the fund was not capitalized, it remains in place as a vehicle for the Legislature to support Arctic development.

CONCLUSION

As AIDEA approaches its 50th anniversary, it is clear that the AIDEA of 2015 is very different to that from 1967. Much of that can be attributed to the flexibility built into the authority that allows it to evolve as its clients and the Alaskan economy changes. AIDEA continues to demonstrate that the public sector can provide meaningful support to the private sector, based on partnerships beyond grants and incentives. The authority's success lies in its ability to operate at arm's length from political interference. AIDEA also finances its own activities, both operating and investments, without assistance from General Fund monies. In fact, the authority makes an annual contribution to the state's General Fund while growing its own balance sheet.

As AIDEA looks to the future, its continued success will be determined by maintaining focus on its mission, ongoing partnerships with the private sector, and investments based on sound financial principles.