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ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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April 7, 1992

The Honorable Representative Mike Navarre  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Navarre:

At the conclusion of the House Finance Subcommittee meeting on Committee Substitute House Bill 417 (CS HB 417) last week, several questions and discussion items remained open for further consideration. The purpose of this letter is to provide the subcommittee with additional information.

At the meeting, two specific questions were asked that required additional research. Specific questions and answers are as follows:

• Can the Alaska Seafood Center Project (ASC) be financed as a tax-exempt facility?

ANSWER: The Authority's participation in the project would consist of facilities for cold storage of frozen products and chilled storage of fresh products. ASC will lease the Project Facilities from the Authority for use in conjunction with fish processing facilities that ASC will install in the same structure as the Project Facilities. This structure, including both the Project Facilities and the processing facilities, will comprise the Alaska Seafood Center.

The Project Facilities will consist of two "rooms," together with related equipment. Products will be stored awaiting shipment to customers either via air shipment or by vessel from the Port of Anchorage.

Whether or not the Authority could use its tax-exempt financing powers for the Project will depend on the following set of conditions and facts:

- 1) The facility must be adjacent to and directly related to the airport and/or dock and not a manufacturing facility;
- 2) the facility must be governmentally owned; and
- 3) the project must meet a "public use" test under the tax regulations.

Legal counsel to the ASC has completed its review of the project and believes the Authority Project Facilities will satisfy the Internal Revenue Service (IRS) code requirements for tax-exempt financing. To ensure eligibility it is the Authority's intent to request a private ruling from the IRS prior to the issuance of any tax-exempt debt for the project.

ASC has informed the Authority that their financing plan does not anticipate using any of the state's volume ceiling for private activity bonds.

- If fish is processed at a proposed secondary fish processing plant built at the Anchorage International Airport, who would collect the fish tax? The Municipality of Anchorage or the port of entry?

ANSWER: A draft memorandum from the Authority's legal counsel is attached under separate copy.

Proposed amendments to CS HB 417 include authorization for several projects as follows: The Ketchikan Shipyard; a secondary fish processing plant in Anchorage; air cargo and maintenance facilities at the Anchorage International Airport; and a fuel consortium at the Anchorage International Airport. Per the committee's request, attached are detailed synopses of the projects.

Other amendments proposed by AIDEA include:

- \* 1. Change the title to read:  
"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority to [A] projects for which the legislature has approved the Authority's issuance of bonds, to the issuance of bonds by the Alaska Industrial Development and Export Authority for additional projects, and to various matters regarding the Ketchikan Shipyard Facility.

and to the repair, maintenance, and reconstruction of vessels, docks, and transfer facilities of the Alaska Marine Highway System, and providing for an effective date."

2. Change Section 1 (5) to read:

(5) amend the project approval given by sec. 25, ch. 123, SLA 1990 to express legislative project approval for the Alaska Industrial Development and Export Authority's participation in the financing of a more versatile aircraft facility or facilities at the Anchorage International Airport as presently contemplated by the [PROJECT'S] principal sponsors of such facilities.

3. Add Sections 1 (6) and 1 (7) to read:

(6) provide legislative approval for the Alaska Industrial Development and Export Authority to issue bonds to assist in the financing of additional projects under AS 44.88.172 - 44.88.177.

(7) provide for the acquisition of the Ketchikan shipyard facility from the state by the Alaska Industrial Development and Export Authority, the improvement and expansion of the facility and the maintenance and repair of marine vessels of the state at the facility.

*can't do w/ this title:*

4. Add a new Section 2 to read:

AS 33.90.050 is repealed and reenacted to read as follows:  
\*Section 2. AS 36.90.050 MAINTENANCE OF STATE MARINE VESSELS. (a) Marine vessels owned by the state shall be maintained and repaired at a shipyard facility located in the state unless, as to any vessel, the commissioner determines in writing that there is no shipyard facility located in the state that is equipped or qualified to perform the particular maintenance or repair required, or, after taking into consideration the Alaska bidder preference set out in AS 36.36.170 and the interport differential, as determined by the Alaska Marine Highway System, that the proposed cost of the maintenance or repair work is unreasonable.

ENO

(b) The competitive bid provisions of AS 36.30 do not apply to a contract for the maintenance or repair of a marine vessel owned by the state if the contract is awarded to a facility in the state.

- 5. Renumber Sections 2 through 10 as 3 through 11.
- 6. Because of the proposed changes regarding interest rates, the Authority would suggest an additional amendment which clarifies the determination of interest rates on loans financed from the assets of the enterprise development account and allows for the AIDEA Board to incorporate new interest rate language in our regulations. The additional amendments are as follows:

Add a new Section 12 to read:

\*Section 12. AS 44.88.085 (g) (2). loan guidelines and terms including, but not limited to, maximum loan amounts, [AND] required loan-to-value ratios, [BUT EXCLUDING LOAN INTEREST RATES] and a method for determining loan interest rates for loans financed directly from the assets of the Authority.

Add a new Subsection (c) 44.88.159 to read:

The interest rate of a loan financed directly from the assets of the Authority is the rate established in accordance with AS 44.88.085 (g) (2).

- 7. Section 12 is renumbered to 14 and is amended to read:  
AS 44.88.900 "loan participation" means the purchase of a portion of a [AN EXISTING LOAN FROM A BANK] loan originated under AS 44.88.155 from a qualified loan originator.

- 8. Renumber Section 11 to Section 13.

- 9. Renumber Section 13 as Section 15 and amend it to read:  
\*Section 15. Section 25, ch. 123, SLA 1990 is amended to read:  
Section 25. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design,  
+ construction of [A MULTI-BAY] aircraft maintenance/

air cargo/air transport support facilities [FACILITY] located at Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$85,000,000 [50,000,000]. This section grants the legislative approval required by AS 44.88.095.

10. Add new Sections 16 - 18 to read:

\*Section 16. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities located at Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$40,000,000. This section grants the legislative approval required by AS 44.88.095.

\*Section 17. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of a facility for the offloading, processing, storage and transloading of seafood located at or near Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$50,000,000. This section grants the legislative approval required by AS 44.88.095.

\*Section 18. The Alaska Industrial Development and Export Authority may issue bonds to finance the design, construction, reconstruction, improvements, and equipping of the Ketchikan shipyard facility to be owned by the authority. The principal amount of the bonds may not exceed \$15,000,000. This section grants the legislative approval required by AS.88.095.

11. Section 14 becomes Section 19

12. Add new Section 21: Sections 3 and 18 shall take effect only if the Alaska Industrial Development and Export Authority Board of Directors approves the acquisition of the Ketchikan shipyard facility under AS 44.88.172.

13. Section 15 becomes Section 20.

14. Add new Section 22: AS 36.90.050 is repealed August 30, 1997.

For your information, we have worked with the staff of the Alaska Marine Highway System (AMHS) to develop the above language regarding procurement and maintenance issues related to the Ketchikan Shipyard. The language is mutually accepted by the AMHS and AIDEA.

The original sponsor of CS HB 417, Representative Dave Choquette, has also proposed several amendments to the bill to mirror changes that have been made to the companion bill in the Senate (CS SB 226). The proposed amendments are as follows:

1. Amend the language which allows AIDEA to own and operate certain tourism facilities to read: "A new tourism destination facility or expansion of a tourism destination facility." This change is necessary to eliminate unnecessary language and to create a less restrictive description of tourism facilities the Authority would be authorized to own and operate under the Development Finance Program.

2. Eliminate the interest differential on bank originated loans guaranteed by the Authority. Currently if AIDEA guarantees more than 65 percent of the loan, the financial institution is allowed to charge an interest rate which is one and one-half percentage points above the prime rate. If the loan guarantee is equal to or less than 65 percent of the loan, the financial institution is allowed to charge two and three-quarters percentage points above prime. While this statute was enacted to encourage banks to retain a larger share of the risk, we have found it only increases confusion in the program and discourages use of the program.

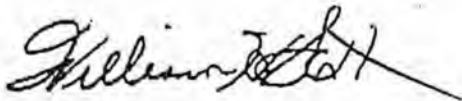
3. Increase the amount allowed under the streamlined Business Assistance Program for unsecured loan guarantees setting the cap for unsecured loans at \$100,000 from \$50,000. When this program was enacted in 1991 in House Bill 206, its primary purpose was to assist entrepreneurs in rural areas. However, we have had no responses to the program, despite promotional efforts, due lack of interest from financial institutions. Financial institutions have encouraged this amendment.

And finally, since the Subcommittee meeting, we have met with the Governor's Office and officials from the Department of Revenue and have been encouraged to submit an amendment for your consideration. Briefly stated, this amendment repeals the revenue stream that currently would direct revenue from the Red Dog project to the General Fund once the bonds are paid off, and redirects it to the Authority. A revenue stream will not be generated before 1997; however, repealing this existing language will enhance and protect AIDEA's bond rating for the next several years at no cost to the state (please note: bonds sold by AIDEA are not the general obligation of the state, they are the obligation of the Authority).

A letter to you containing a comprehensive explanation of this amendment and its purpose is attached to assist you in your review of the proposed amendment.

We look forward to discussing the above reference items at your next Subcommittee meeting. Should you need additional information or have additional questions, please do not hesitate to contact my legislative liaison, Katelyn Carrigan, or myself.

Sincerely,



William H. Scott  
Executive Director

attachments

cc: Honorable Representative Eileen MacLean  
Honorable Representative Ramona Barnes  
Honorable Representative Mark Boyer  
Honorable Representative Kay Brown

April 7, 1992

## KETCHIKAN SHIPYARD

### PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$15,000,000 to finance acquisition, design and construction of improvements to the Ketchikan Shipyard, to be owned by the Authority.

### PROJECT DESCRIPTION

This project will provide funds for repairs and modifications to the existing shipyard to correct identified deficiencies and to make capital improvements. These include a new steel warehouse and fabrication shop, an industrial building, a moving covered construction area, a 200 ton travellift with fingerpiers and floats, a storm drain system, site grading, paving, oil/water separator, pier crane, engineering and design for the entire shipyard development, and various other items to correct known environmental, safety, site and equipment deficiencies.

### PROJECT JUSTIFICATION

The State of Alaska, Department of Transportation and Public Facilities (DOT&PF) spent approximately \$30 million to construct the shipyard facility during the 1980s. Under a lease/management agreement with DOT&PF the City of Ketchikan subleased the shipyard operation and management to private contractors. Each of the contractors individually experienced operational and financial difficulties and the shipyard is struggling to stay in operation. This project will make improvements to the facility in an effort to enhance the shipyard's capabilities and thereby protect the state's investment in these facilities, provide skilled jobs, strengthen the local economy, and retain major ship repair capabilities in Alaska.

### FEASIBILITY ANALYSIS

A market and financial feasibility study of the Ketchikan Shipyard was prepared for the Authority by Northern Economics in association with Ogden Beeman & Associates and ResourcEcon. The results of this study indicate that the proposed project improvements accompanied by a good business plan would subject the Authority to no more than normal business risks.

FROM A.I.D. E.A

April 7, 1992

## ALASKA SEAFOOD CENTER/COLD STORAGE

### PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$50,000,000 to finance acquisition, design and construction of a cold storage warehouse facility which will be an integral part of a state-of-the-art fish processing, cold storage and distribution center to be constructed by Alaska Seafood Center (ASC) in Anchorage.

### PROJECT DESCRIPTION

This project will provide funds to construct a cold storage warehouse with a storage capacity of 45 million pounds that will be capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, a standby electrical generation system, and electric powered lift cranes, conventional forklifts and similar handling equipment.

### PROJECT JUSTIFICATION

The cold storage warehouse as an integral part of the proposed Alaska Seafood Center will allow ASC to: perform secondary (value added) processing of bottomfish, surimi and salmon; provide freight forwarding of salmon and other seafood products by ASC and others; and provide commercial cold storage services for seafood and non-seafood products. The construction of the cold storage facility will create the opportunity for ASC to perform secondary (value added) processing in Alaska introduce a local market for shore based primary processors, and allow other Alaskan processors the opportunity to store frozen seafood in Anchorage at reduced rates for transportation and storage. The cold storage facility (which will be located close to Anchorage International Airport) will also allow ASC to provide logistic capabilities and chill room capacity to other Alaskan fish processors in a cost efficient manner.

ASC's operations will provide approximately 450 new year round jobs, not counting employment through transportation contracts and employment growth within other business sectors.

April 7, 1992

**AIRCRAFT MAINTENANCE AND CARGO FACILITIES  
ANCHORAGE INTERNATIONAL AIRPORT**

**PROJECT BUDGET**

Revenue bonds in the principal amount not to exceed \$85,000,000 to finance acquisition design and construction of two aircraft maintenance facilities, a cargo handling facility, and associated fire suppression system. The Alaska Industrial Development and Export Authority received legislative approval during the Sixteenth Session to issue \$50,000,000 for construction of a multi-bay aircraft maintenance facility at Anchorage International Airport. The \$35,000,000 increment in funding will allow the Authority to accommodate the needs of both Alaska Airlines and Federal Express and provide sufficient contingency should Federal Express later decide to convert their proposed line maintenance hangar to a base maintenance facility. This request would also allow the Authority to build a new cargo facility for Alaska Airlines.

**PROJECT DESCRIPTION**

This project will provide funds to construct aircraft maintenance facilities to accommodate both Federal Express and Alaska Airlines. The Federal Express improvements will include a hangar capable of handling one wide body jet aircraft, a parking ramp, taxiway connection, utilities, auto parking lot, access road and landscaping. The Alaska Airlines development will include a hangar capable of handling multiple narrow body jet aircraft, a stores and fleet servicing facility and a cargo handling facility. The improvements will also include a large aircraft parking ramp, taxiway, auto parking lot, utilities and landscaping. The estimated cost of the Federal Express and the Alaska Airlines projects are \$25 million and \$45 million respectively. The fire suppression system which will serve both facilities is estimated to cost \$5 million. The remaining funds will be used for project contingencies, legal fees, administration and bond issuance costs.

**PROJECT JUSTIFICATION**

These facilities will strengthen Alaska's role as an international air crossroads and will help attract other carriers and air cargo haulers and solidify the presence of the existing airline with basic support services. Additionally, the facilities will assist interstate and intrastate airlines that base their aircraft in Alaska by locating a maintenance station where their aircraft are operated. Financing of this facility by the Authority will create several high skill level jobs and additional income for Alaskans. Federal Express will use their facility to perform line maintenance on the aircraft transiting through Anchorage but may eventually convert this hangar into a base maintenance hangar for their new fleet of MO-11s. Alaska Airlines has indicated that they will initially base 13 aircraft in Anchorage and that this number will increase to 25 by 1995. The new Alaska Airline cargo facility will better serve rural Alaskans dependent on daily air freight services.

April 7, 1992

**ANCHORAGE FUELING AND SERVICE COMPANY  
TANK FARM AND DISTRIBUTION FACILITIES**

**PROJECT BUDGET**

Revenue bonds in the principal amount not to exceed \$40,000,000 to finance acquisition, design and construction of a jet fuel storage tank farm and distribution facilities to be constructed at Anchorage International Airport.

**PROJECT DESCRIPTION**

This project will provide funds to relocate and construct a new tank farm and distribution system to replace the old storage and distribution system. The new tank farm will consist of three one-hundred thousand barrel tanks, pumps, filters, operations building and an on-ramp truck loading island. The funds will also be used for new piping to tie into the Nikiski pipeline, to replace the port of Anchorage pipeline and to reroute the hydrant fueling system piping. A portion of the funding will also be used to demolish existing facilities and to accomplish environmental remediation.

**PROJECT JUSTIFICATION**

The existing tank farm and distribution facilities must be removed to accommodate planned airport expansion and roadway/traffic improvements at Anchorage International Airport. Relocation will allow for expanded storage capacity to accommodate future airline growth and for the replacement of existing facilities with modern, efficient, safe and environmentally sound facilities. Replacement of the old pipelines serving this facility will assure an uninterrupted supply of jet fuel to the airport and eliminate the potential for any environmental problems with the old piping systems. The completed facility will ensure a stable work place for over 100 employees.

LTC: SB 368

4/29

RE: AIDEA

*Due!*

The quick and dirty rindown on AIDEA.

The L & C CS is ready...two projects:

- a. Ketchikan Shipyard fro \$15 million;
- b. Anchorage air cargo/air transport facility for \$50 million.

What AIDEA wants, the Mayor wants, and the attached amendment provides is:

- a. \$45 million for Alaska Airlines expanded project;
- b. \$40 million for Fed Ex facility;
- c. \$15 million for Ketchikan Shipyard;
- d. \$40 million for Anchorage Fueling Facility--all airlines;
- e. \$50 million for Anchorage Seafood Center (location to be determined later)(This is a \$150 million deal=\$50 from AIDEA bonds; \$50 in capital; \$50 in private debt.)

Smootches...

*Bm 4/29*

P.S: At least it was quick.

*P.S: I'm presuming LTC is delayed - I'll keep files here, on hold, until I hear different.*

## AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 368 (L&C)

BY SENATE LABOR AND COMMERCE

Amend title to read:

"An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the Ketchikan shipyard facility, to a project for which the legislature has already approved the Authority's issuance of bonds, and to the approval of the issuance of bonds to an Anchorage seafood facility and an Anchorage airport fueling facility; and providing for an effective date.

Page 2, line 1, after "support:"

Delete "facility" and insert "facilities"

Page 2, line 2, after "may not exceed:"

Delete \$50,000,000: and insert "85,000,000"

Re-number Sec. 3 to Sec. 5

Insert Sec. 3 to read:

The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities located at Anchorage International Airport, to be owned by the Authority. The principal amount of the bonds may not exceed \$40,000,000. This section grants the legislative approval required by AS 44.88.095.

Insert Sec. 4 to read:

The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of a facility for the off-loading, processing, storage, and trans-loading of seafood located at or near Anchorage International Airport, to be owned by the Authority. The principal amount of the bonds may not exceed \$50,000,000. This section grants the legislative approval required by AS 44.88.095.

**STATE OF ALASKA  
1992 LEGISLATIVE SESSION**

**BILL NO.** CS SB 368

Revision Date: April 28, 1992 Department Affected: DCED  
 Title: "An Act authorizing AIDEA to issue bonds for the Kethikan shipyard." BRU: AIDEA  
 Component: \_\_\_\_\_  
 Sponsor: Senator Jones  
 Requestor: Senate Labor & Commerce COMPONENT SERIAL NO. 

1	2	3	4
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**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>						
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<b>REVENUE FUND SOURCE:</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

**ANALYSIS: (Attach a separate page if necessary.)**

This bill provides bonding authorization and will have no fiscal impact on AIDEA.

Prepared By: William H. Scott, Ex. Director Phone: (907) 561-8050  
 Division: AIDEA Date: 4/28/92  
 Approved by Commissioner: Glenn A. Olds *[Signature]* Asst Comm.  
 Agency: DCED Date: 4.28.92

CS SB 368 (L & C): "An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the Ketchikan shipyard facility and modifying the purpose for which the Alaska Industrial Development and Export Authority is authorized to issue bonds in an amount not to exceed \$50,000 for a facility at Anchorage International Airport; and providing for an effective date."

The Department supports CS SB 368 (L & C).

The bill in its current form provides AIDEA with bonding authority not to exceed \$15,000 to acquire, design and construct improvements to the Ketchikan shipyard facility.

The bill also modifies the description of an aircraft maintenance facility at the Anchorage International Airport for which the Legislature authorized up to \$50 million in bonds in 1990. The modified description is to accommodate the private sector's requirement of a more versatile facility which will include cargo facilities and storage and to meet requirements on the bond market.

While the Alaska industrial Development and Export Authority (AIDEA) is in full support of CS SB 368 (L & C), the Authority would like to offer several amendments to the bill to include additional project authorization for the following projects: A Federal Express aircraft maintenance, cargo and storage facility; the Alaska Seafood Center; and the Anchorage Fuel Consortium. AIDEA requests the amendments to the bill to include additional specific project authorization following review and consent by the Committee.

The Department recommends full support of CS SB 368 with the proposed amendments.



Glenn A. Olds, Commissioner

Date: 7.23.92

7-LS1819D  
Utermehle  
4/28/92

CS FOR SENATE BILL NO. 368 (L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATORS JONES, Zharoff, Duncan

A BILL  
FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Industrial Development and Export Authority to issue  
2 bonds to finance the Ketchikan shipyard facility and modifying the purpose for which the  
3 Alaska Industrial Development and Export Authority is authorized to issue bonds in an  
4 amount not to exceed \$50,000,000 for a facility at Anchorage International Airport; and  
5 providing for an effective date."

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 \* Section 1. The Alaska Industrial Development and Export Authority may issue bonds to finance  
8 the design, construction, reconstruction, improvements, and equipping of the Ketchikan shipyard facility  
9 to be owned by the Authority. The principal amount of the bonds may not exceed \$15,000,000. This  
10 section grants the legislative approval required by AS 44.88.095.

11 \* Sec. 2. Section 25, ch. 123, SLA 1990 is amended to read:

12 Sec. 25. The Alaska Industrial Development and Export Authority may issue bonds to  
13 finance the acquisition, design, and construction of an [A MULTI-BAY] aircraft maintenance/air

- 1        cargo/air transport support facility located at Anchorage International Airport, to be owned by  
2        the Authority. The principal amount of the bonds may not exceed \$50,000,000. This section  
3        grants the legislative approval required by AS 44.88.095.  
4        \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).