

**SB**

**171**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 16, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/22/93

The FINANCE Committee considered:

CSSB 171(FIN)

CS FOR SENATE BILL NO. 171(FIN)

AIDEA BONDS; BUSINESS ASSISTANCE PROG.

"An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority; authorizing the authority to issue bonds in a principal amount not to exceed \$40,000,000 to finance the acquisition, design, and construction of public use aircraft fueling facilities, to issue bonds in a principal

\* title continued on page 2 \*

RECOMMENDATIONS:

[ ] the same title

be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

zero fiscal note(s) DCED 3/24/93

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Eileen P. Mullen</i> <sup>mactear</sup>					
<i>Donald J. Larson</i> <sup>LARSON</sup>	X	<i>Mark Hanley</i> <sup>HANLEY</sup>		X	
<i>Terry Martin</i> <sup>MARTIN</sup>	X	<i>San Paul Parnell</i>		X	
		<i>John Grussendorf</i>		X	
		<i>Paul Brown</i> <sup>BROWN</sup>	<del>X</del>		✓
		<i>Mike Navarre</i> <sup>NAVARRE</sup>			✓
		<i>Tom Theriault</i>		X	

*Paul J. Larson*  
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 171

Revision Date: \_\_\_\_\_  
Title: An Act relating to the contracting and financing authority of AIDEA and extending a program.  
Sponsor: Senator Pearce  
Requestor: Senator Pearce

Department Affected: Commerce and Economic Development  
BRU: AIDEA  
Component: AIDEA  
COMPONENT SERIAL NO. \_\_\_\_\_

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Bonds of AIDEA will be sold to finance the Anchorage public-use aircraft fueling facilities and will have no fiscal impact on the General Fund. The Business Assistance program is a guarantee program on bank originated loans and with careful oversight should have no fiscal impact on AIDEA.

Prepared by: William R. Snell, Executive Director  
Division: AIDEA

Phone: 561-8050  
Date: March 22, 1993

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

*Paul Fuhs*  
Date: March 22, 1993

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**Senator Drue Pearce**  
District F

## Sponsor Statement for Senate Bill 171

### AIDEA Bonds

If enacted, SB-171 would achieve four things. Section one of the bill gives legislative approval to the Alaska Industrial Development and Export Authority to authorize the issuance of revenue bonds, up to \$40 million, to finance the acquisition, design, and construction of public use aircraft fueling facilities located at Anchorage International Airport.

Section two of the bill gives legislative approval to AIDEA to authorize the issuance of bonds, up to \$50 million, to finance the acquisition, design, and construction of a port facility located at Point MacKenzie to further the development and operation of a direct iron ore processing facility.

Section three of the bill gives legislative approval to AIDEA to authorize the issuance of bonds, up to \$50 million, to finance the acquisition, design, and construction of a seafood processing, storage, and loading project located in Anchorage.

Section four of the bill extends the sunset date of AIDEA's Business Assistance Fund to July 1, 1996 from the current sunset date of July 1, 1993.

**SB 171: "An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority, giving approval of the issuance of the authority's revenue bonds, and delaying the termination date of the authority's business assistance program; and providing for an effective date.**

The bill as proposed provides authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$40,000,000 in bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities at the Anchorage International Airport. The bill also provides a procurement exemption under AS 36.30 as allowed under AS 36.30.850(b)(8). This would authorize AIDEA to work through the Anchorage Fueling and Service Company (ASFC), the owner of the existing fueling facilities, to obtain information and services to develop a finance plan, and to manage the design and construction of the project. Design and construction contracting will be performed on a competitive basis.

The purpose of the project is to construct a new jet fuel storage tank farm and distribution system to accommodate future projected airline growth. The existing facilities are old, potentially unreliable and out-of-date as to environmental safety. In addition, the site of ASFC's existing system is required for airport expansion which includes roadway/traffic improvements.

The bill also extends the sunset date of the Authority's business assistance program until July 1, 1996. The program provides an 80 percent guarantee on bank originated loans up to \$1 million. The business assistance program is a helpful financial "tool" to assist in the development and expansion of small businesses throughout Alaska. In addition, the business assistance program is key to facilitating the newly created Rural Development Initiative Fund (RDIF) which is operated jointly through the Department of Community and Regional Affairs and AIDEA. The RDIF was designed to assist rural Alaskan entrepreneurs who may not currently be served by commercial financial institutions.

AIDEA fully supports SB 171.

  
Paul Fuhs, Commissioner

3-22-93  
Date

ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

**PROJECT FACT SHEET: Anchorage Fueling and Service Company  
Tank Farm and Distribution Facilities**

**DATE:** November 25, 1992

**STATUS:** The Legislature failed to act on bonding authority for this project in 1992. AIDEA may seek bonding approval in 1993.

**PROJECT BUDGET:** \$40 million

**SOURCE OF FUNDS:** Revenue bonds sold by AIDEA.

**PURPOSE:** To construct a new jet fuel storage tank farm and distribution system in order to accommodate future airline growth. The site of the existing system is needed for airport expansion. Existing facilities are also old and potentially unreliable or environmentally unsafe.

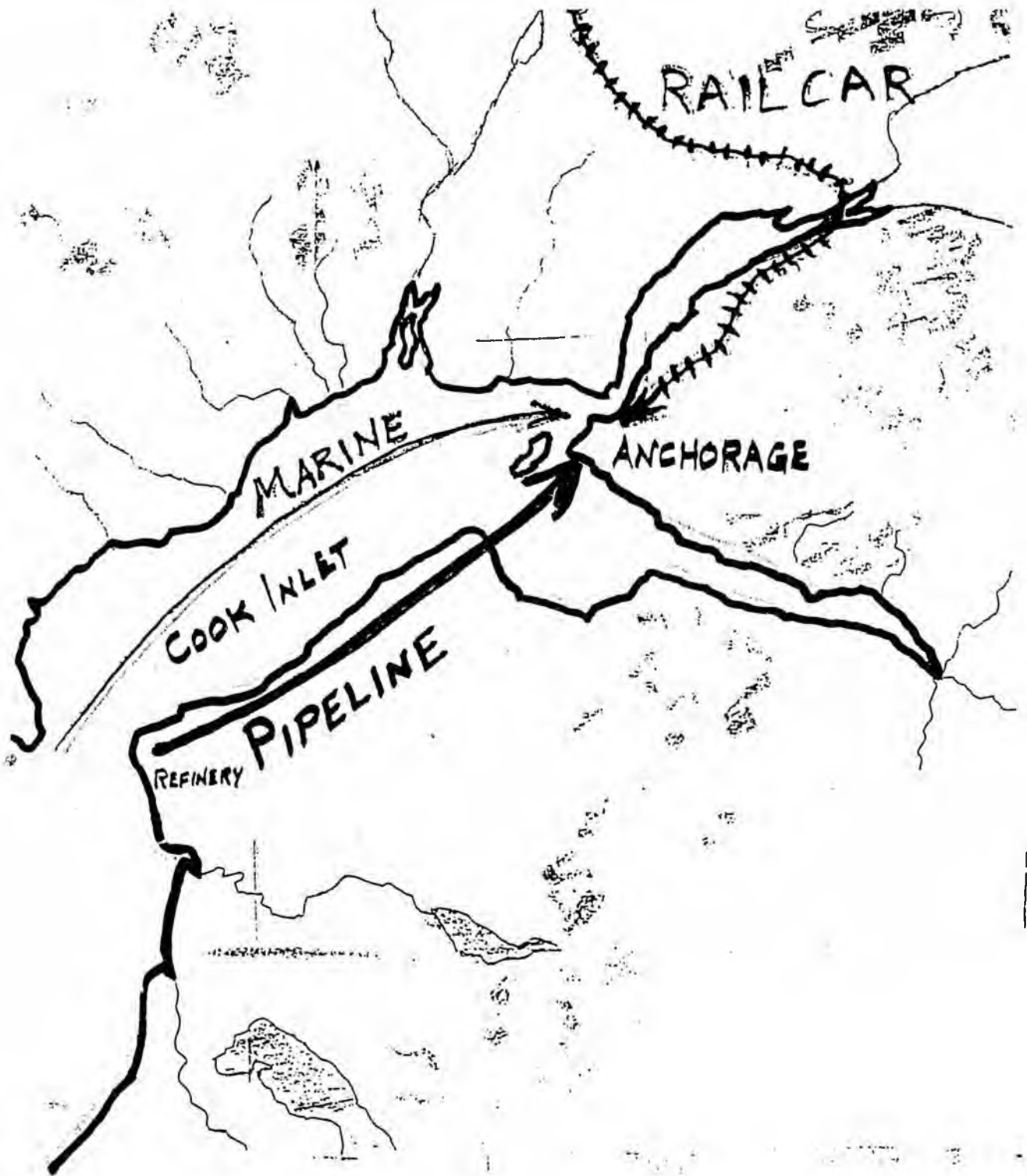
**PARTICIPANTS:** AIDEA may finance the relocation and construction of the new tank farm and distribution system at Anchorage International Airport.

**BACKGROUND:** The existing tank farm and distribution facilities must be removed due to planned airport expansion and roadway/traffic improvements at the airport. The existing facilities also cannot accommodate future airline growth and old pipelines should be replaced to guarantee an uninterrupted supply of jet fuel to the airport and to eliminate the possibility of an environmental problem. The new facilities would be modern, efficient, safe, and environmentally sound.

**ECONOMIC EFFECTS:** The new facilities would support increased activity at Anchorage International Airport and ensure a stable work environment for more than 100 employees.

**SOCIAL EFFECTS:** The project would ensure continued fuel service to the airport, while also ensuring operations that are safe to the environment and to workers.

**SCOPE OF PROJECT:** The new tank farm would consist of three 100,000-barrel tanks, pumps, filters, operations building, and an on-ramp truck loading island. New piping would be laid to tie into the Nikiski pipeline, replace the Port of Anchorage pipeline, and reroute the hydrant fueling system piping. The project would also include demolition of existing facilities and any necessary environmental remediation.

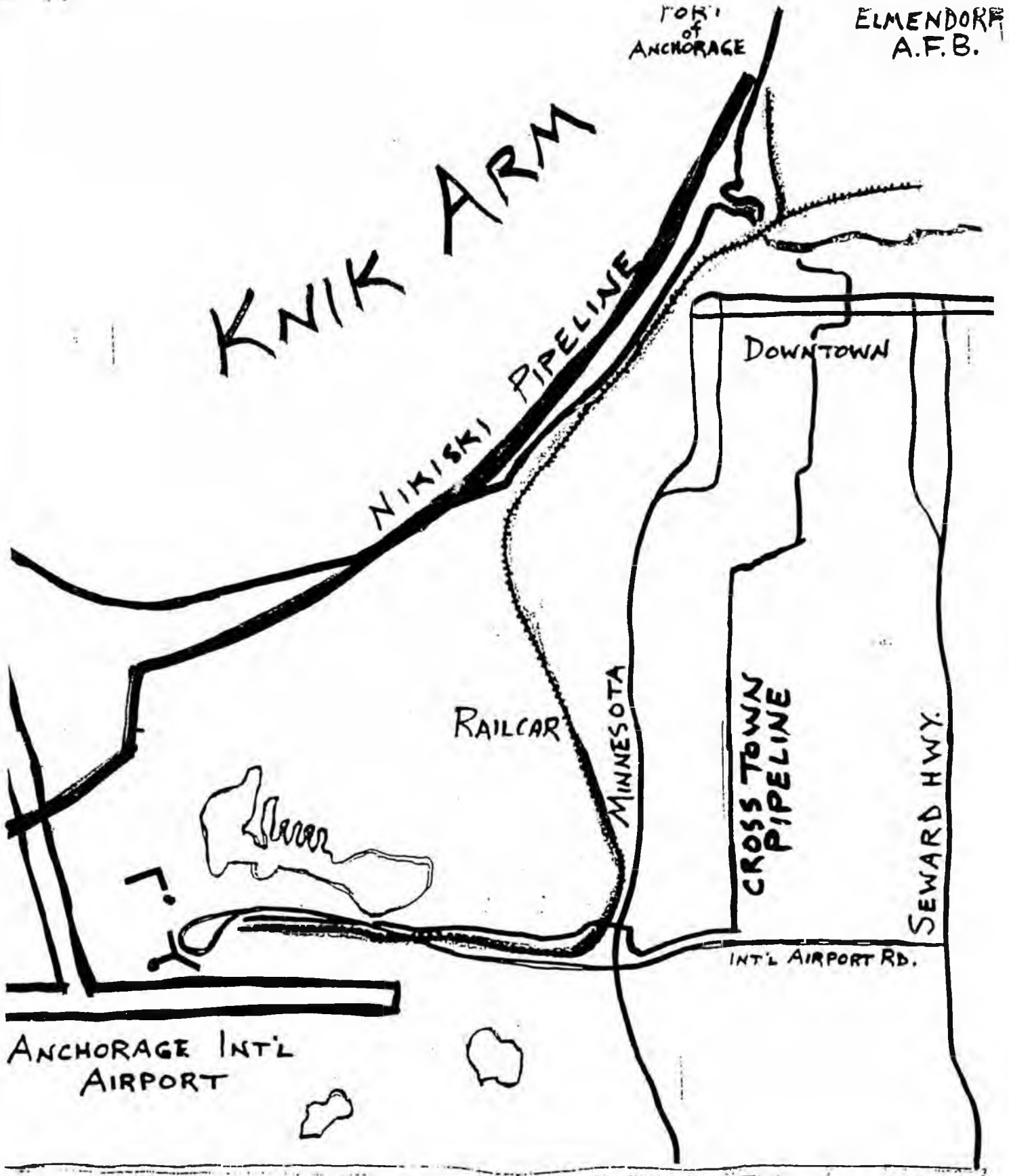


FUEL FLOW

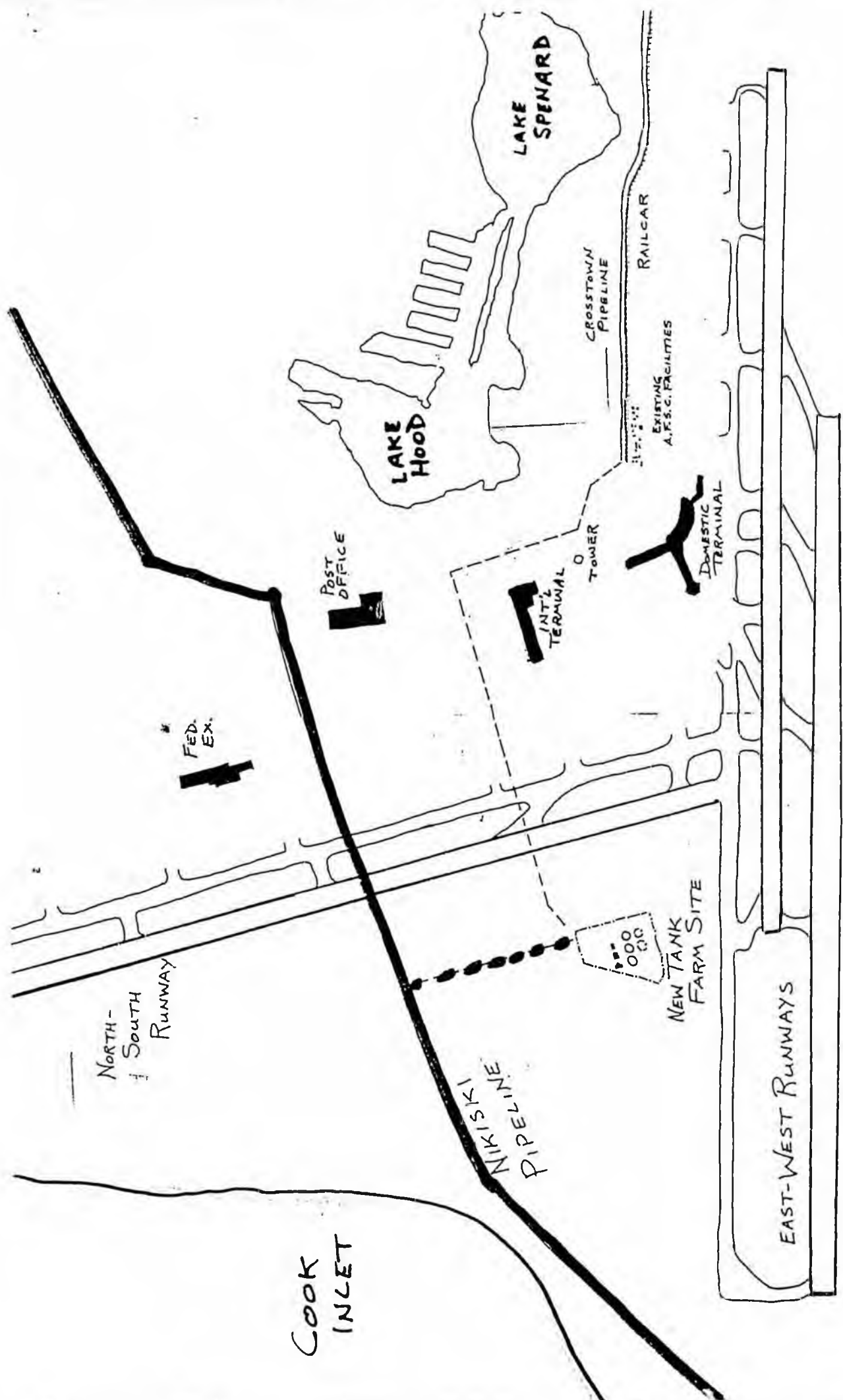
to

ANCHORAGE

ORIENTATION



# FUEL FLOW IN ANCHORAGE



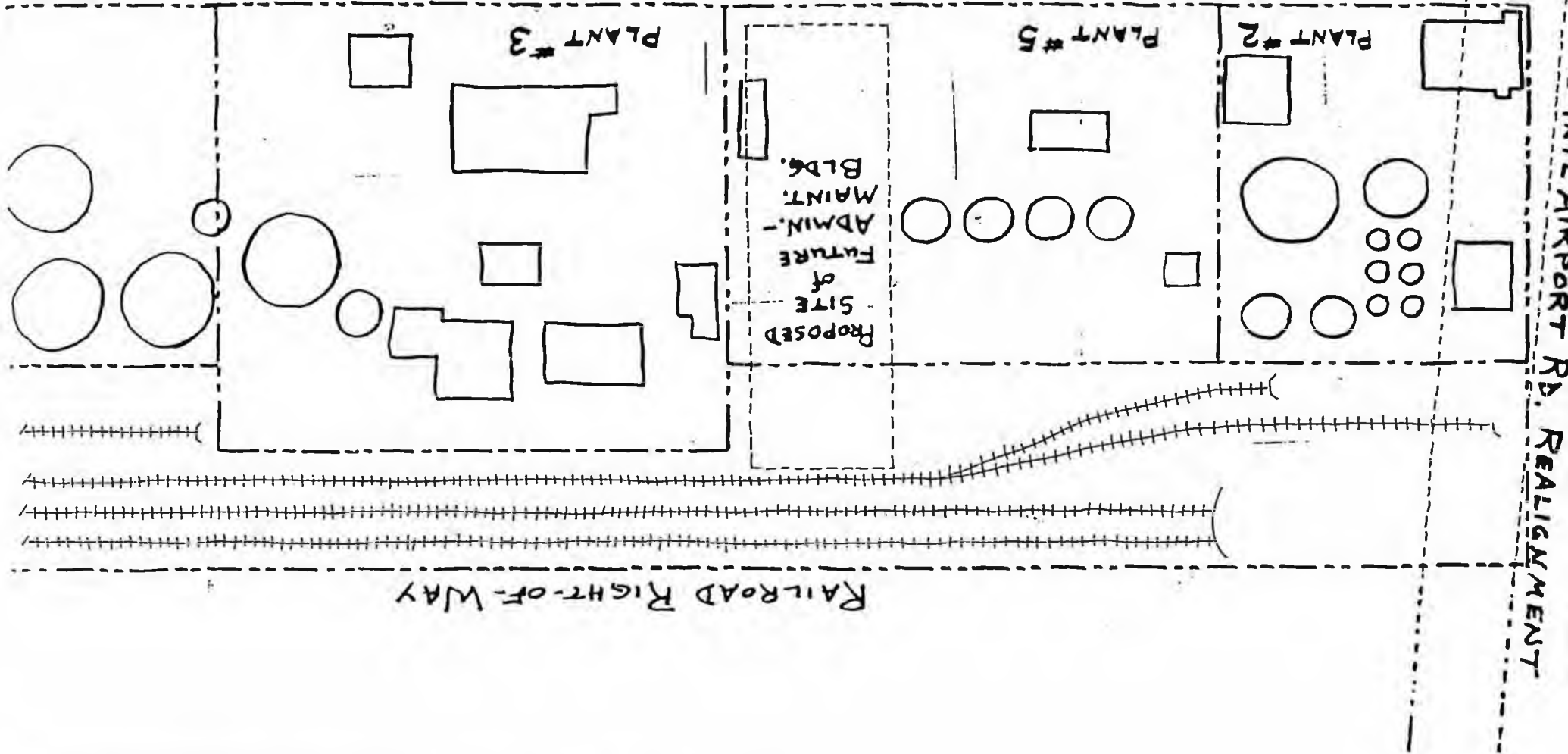
# FUEL FLOW AT ANCHORAGE AIRPORT

ORIENTATION  
MAP # 3

# AFSC AIRPORT FACILITIES

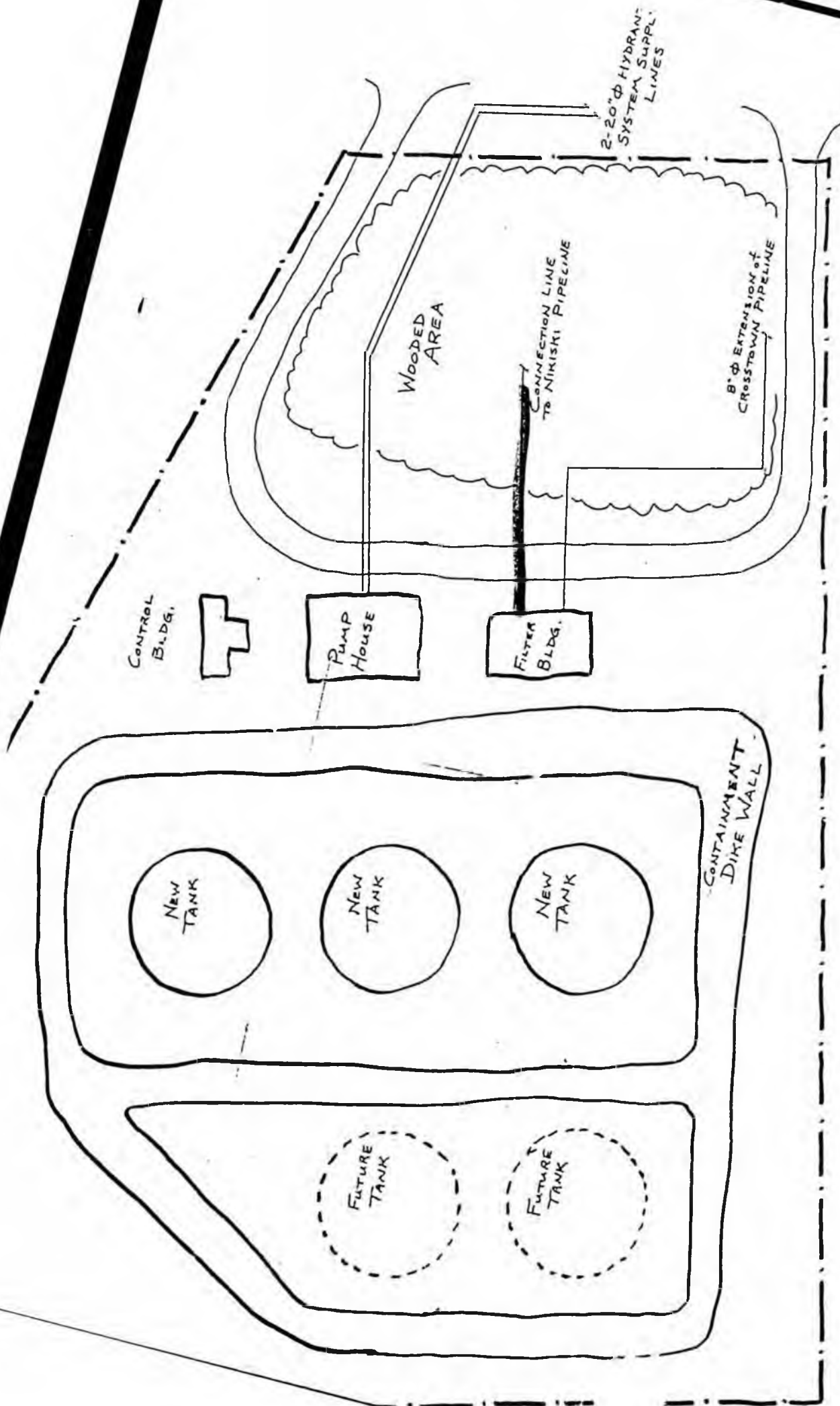
ORIENTATION  
MAP #4

OLD INT'L AIRPORT RD.



RAILROAD RIGHT-OF-WAY

AIRPORT RD. REALIGNMENT



# PROPOSED NEW TANK FARM

ORIENTATION MAP #5

## AFSC PROJECT BUDGET/SCHEDULE

	<u>BUDGET</u>	<u>SCHEDULE</u>
* NEW TANKS, PUMPING FACILITIES, PIPELINES	\$20 MILLION	1993-95
* PLANT NO. 5 DEMOBILIZATION	\$ 1 MILLION	1994-95
* NEW OPERATIONAL BASE AND GARAGE	\$ 5 MILLION	1995-97
* PLANTS NOS. 2 & 3 DEMOBILIZATION	<u>\$ 4 MILLION</u>	1996-97
<b>SUBTOTAL.</b>	<b>\$30 MILLION</b>	
* BOND SALE COSTS, RESERVES, CAPITALIZED INTEREST	<u>\$10 MILLION</u>	
<b>TOTAL</b>	<b>\$40 MILLION</b>	

## AIDEA DUE DILIGENCE (AS 44.88)

### FINDINGS TO INCLUDE:

1. PROJECT IS ECONOMICALLY ADVANTAGEOUS TO THE STATE AND PUBLIC WELFARE.
2. AFSC IS FINANCIALLY RESPONSIBLE  
\* AIRLINE CREDIT ANALYSIS - BY PUBLIC FINANCE MANAGEMENT
3. PROJECT IS FINANCIALLY FEASIBLE  
\* FEASIBILITY ANALYSIS BY KPMG-PEAT MARWICK
4. EMPLOYMENT CREATION/RETENTION
5. COMPLIANCE WITH LAW
6. BONDS WILL NOT ADVERSELY AFFECT OTHER CREDIT INSTRUMENTS OF THE STATE
7. OTHER REQUIREMENTS OF AS 44.88

## KEY PROJECT BENEFITS

- \* ANCHORAGE INTERNATIONAL AIRPORT FUEL STORAGE RELOCATED - NEW, MODERN, ENVIRONMENTALLY IMPROVED SYSTEM
- \* AIRPORT FUEL STORAGE INCREASED FROM 2 MIL. GALLONS TO 12 MIL. GALLONS.
- \* SYSTEM SIZED FOR GROWTH - ASSISTS AIRPORT MARKETING
- \* CONSTRUCTION EMPLOYMENT - MULTIPLE YEAR CONSTRUCTION
- \* STABILIZED OPERATION EMPLOYMENT
- \* AIRPORT AUTO TRAFFIC FLOW IMP.

**MAPCO ALASKA PETROLEUM INC.**

March 22, 1993

Mr. William R. Snell  
Executive Director  
AIDEA  
400 West Tudor  
Anchorage, AK 99503

Dear Mr. Snell:

I am writing this letter to express MAPCO ALASKA PETROLEUM Inc.'s (MAPCO) support for the newly proposed aircraft fueling facilities at the Anchorage International Airport. It is MAPCO's understanding that the facilities will be financed by the Alaska Industrial Development and Export Authority (AIDEA) and operated by the Anchorage Fueling and Service Company, the operator of the facilities which are in existence today.

MAPCO feels this fueling project will be a valuable addition and is needed to modernize the fueling system at the Anchorage International Airport. The planned modification will address the increased fueling requirements of cargo operators.

MAPCO supports this project in part as we feel it will allow substantially improved operational methods of delivery for our product. A pipeline from the Port of Anchorage, rather than the current daily railcar deliveries, will enhance our productivity and ability to deliver jet fuel to our customers.

MAPCO is encouraged by the State's support of economic development within Alaska and encourage economic development. The new fueling facilities at the Anchorage International Airport not only should provide a stable and safe work environment for those employees who directly or indirectly serve the airport, but also provides improved infrastructure necessary to promote Alaska as an international air crossroad and destination.

I hope this addresses your concern and should you have any additional questions please feel free to let me know.

Sincerely,

Bonnie J. Garner  
Aviation Fuel Sales Manager

/bg

C:\WP\DATA\AIDEA

Thomas L. Schaefer, P. E.  
Director, Fuel Services



Northwest Airlines, Inc.  
Department A4195  
5101 Northwest Drive  
St. Paul, MN 55111-3034

612 727-4612  
612 726-4851 Fax

**NORTHWEST AIRLINES**

April 2, 1993

Mr. William R. Snell  
Executive Director  
Alaska Industrial Development and Export Authority  
480 West Tudor  
Anchorage, AK 99503

Dear Mr. Snell:

This letter is to express our support for your assistance in obtaining state funding for a proposed new fuel facility at the Anchorage International Airport.

Northwest Airlines has an extensive base of operations in Anchorage: in 1992, our payroll to Alaska employees was approximately \$2,432,000, and our property and fuel taxes were \$673,500. We delivered 92,000 thousand passengers and originated/terminated 12.6 million pounds of cargo. (We average five 747's per day stopping in Anchorage, each dedicated solely to cargo.) Our concession fees at the Anchorage airport exceed \$950,000 per year.

Perhaps most importantly for purposes of this discussion, we purchased approximately \$32,000,000 in jet fuel from Alaska refiners and fuel vendors.

Controlling costs for these operations is crucial to our continued levels of service in Alaska. The expenses for handling the fuel at the Anchorage airport are of critical concern to us, as we have clearly identified a major modernization project that *must* be undertaken.

We strongly appreciate your continued assistance in developing the legislative support to obtain financing for this project.

Sincerely,

A handwritten signature in cursive script that reads "Thomas L. Schaefer".

Thomas L. Schaefer

cc: Fred Ketzbeck, Chairman of the Board, Anchorage Fueling and Service Company  
Executive Committee, Anchorage Fueling and Service Company  
Tom Mushovic, General Manager, Signature Flight Support



April 2, 1993

Mr. Riley Snell  
Executive Director  
Alaska Industrial Development  
and Export Authority  
480 West Tudor  
Anchorage, AK 99503

Dear Mr. Snell:

I appreciate the time you have taken to meet with members of Anchorage Fueling and Service Company to discuss the problems associated with the required relocation of the tank farm at Anchorage International Airport. While the preferred airline alternative would be to maintain the status quo, such an alternative appears to be closed.

As you are aware, fuel constitutes one of the most significant expenses an airline incurs and without a highly efficient system, not only will the cost for the airlines increase but the competitiveness of Anchorage International will also suffer. While significantly greater volumes of fuel are uplifted by the international carriers any interruption or increased costs will likewise impact the local carriers. As of late the domestic carriers have been incapable of passing on higher costs, much less their ongoing operating costs, to the traveling public, absorbing them instead as losses. Any increase in costs will merely compound this already dismal situation.

Any assistance the Authority can provide for this required relocation of the tank farm will be very much appreciated.

Sincerely,

Bertram L. Wagnon  
Director, Project Financing

CONSOLIDATED FREIGHTWAYS, INC.



April 1, 1993  
Fax 907-248-3360  
Attn: Tom Mushovic

Via Fax

Mr. William R. Snell  
Executive Director  
Alaska Industrial Development and Export Authority  
c/o AFSC

Dear Mr. Snell:

We at Emery Worldwide are vitally interested in the upgrading of the Anchorage International Airport Jet Fuel Storage and Delivery System. Anchorage is the preferred "tech stop" on our flights to/from the North Pacific area and an efficient aircraft fueling system is a critical component.

We're also very pleased that AIDEA is supporting our efforts for Alaska state funding of this upgrading project.

Thank you for your support.

Sincerely,

A handwritten signature in cursive script that reads "Thomas A. Mayer".

Thomas A. Mayer  
Manager  
Aviation Fuel Purchasing

TAM/bon  
107.127

cc: Fred Ketzeback - Alaska Airlines - SEA

The Alaska Airlines logo is written in a stylized, cursive script. It is positioned above a thick, solid black horizontal line that spans the width of the page.

ROBERT J. JIRSA  
VICE PRESIDENT,  
PUBLIC AFFAIRS

March 31, 1993

The Honorable Drue Pearse  
Co-chair Senate Finance Committee  
State Capitol Building  
Juneau, Alaska 99801

Dear Senator Pearse:

Alaska Airlines fully supports SB 171 authorizing the Alaska Industrial Development and Export Authority to issue up to \$40 million in bonds to design and construct a new jet fuel storage facility at Anchorage International Airport.

These facilities are necessary to ensure an adequate supply of jet fuel to support domestic and international air traffic at Anchorage International Airport. They would also provide a reliable and environmentally sound fuel storage and distribution system for many decades.

A reliable jet fuel supply/distribution system is required at any major airport as it is the lifeline for any airline operation. An inadequate jet fuel system constricts an airport and any potential for growth for the surrounding communities it supports. Anchorage International Airport is the major international airport in the State of Alaska as well as the primary hub for flights between the lower 48 and outlying Alaska communities for domestic airlines. Anchorage International Airport's continued success benefits the State of Alaska as a whole by attracting passenger and cargo air carriers generating visitors and jobs.

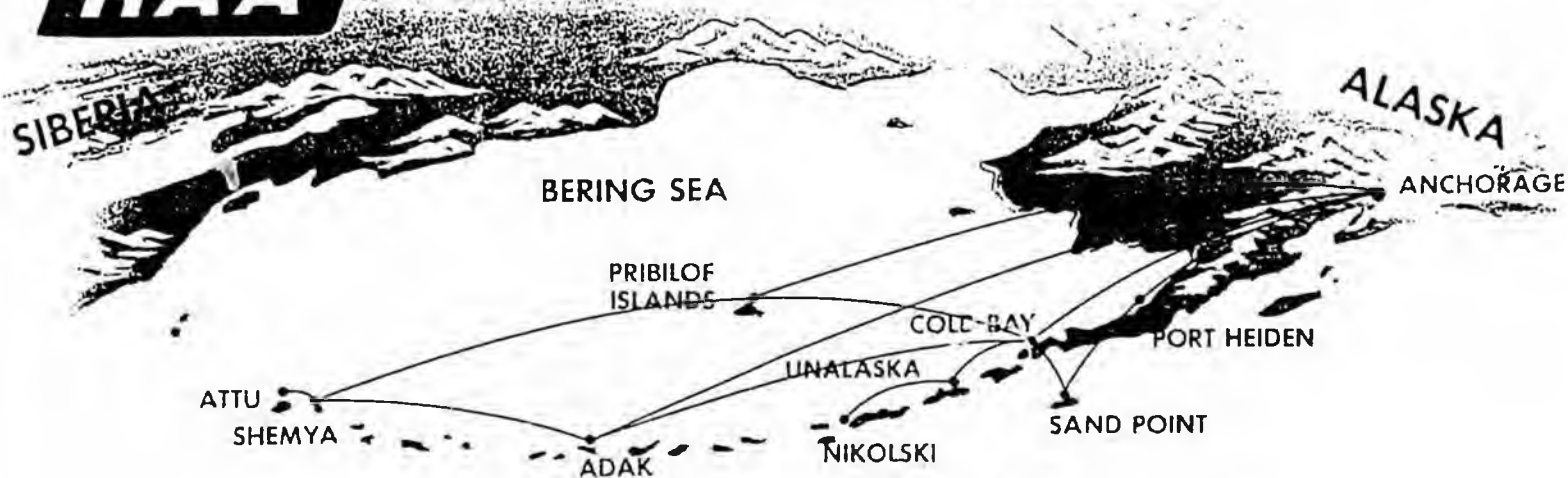
Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Jirsa". Below the signature is the printed name "Robert J. Jirsa".

Robert J. Jirsa



# REEVE ALEUTIAN AIRWAYS, INC.



April 2, 1993

AIDEA  
 Mr. William R. Snell  
 Executive Director

AFSC Request for  
 Funding through AIDEA

AFSC and the Anchorage Airport in turn is in need of funding through your facility so as not to delay this tank farm expansion to proceed as soon as possible. At present the airport fuel is supplied by a small fuel line from Anchorage dock, which has been in service for many years, and by railroad tank cars. Should something happen to this fuel line under present useage the airport would be in a bad way for fuel.

With the new proposed tank farm it will be able to tie into the much larger newer pipeline from Nikiski to the Anchorage dock. This will cut down the delivery time of fuel to the airport and eliminate the troublesome use of railroad tank cars that are necessary now.

As a long time operator at Anchorage International Reeve Aleutian Airways, Inc. wholeheartedly support this request of AFSC and hope you will look favorably to a very necessary worthwhile project.

Respectfully,  
 REEVE ALEUTIAN AIRWAYS, INC.

Robert L. Hanson  
 Sr. Vice President of 45 years



United Parcel Service 400 Perimeter Center - Terraces North  
Atlanta, GA 30346  
(404) 913-6000

April 1, 1993

Mr. William R. Snell  
c/o Tom Mushovic  
Signature Aviation  
Anchorage Alaska

Dear Mr. Snell

United Parcel Service has seen its Anchorage Airport operation grow significantly over the years with our most recent expansion being a new facility at the North Air Park. Our jet fuel consumption likewise has increased significantly to match the increase in flight activity.

We are very supportive of the effort of the Anchorage Fueling and Service Company to construct new jet fuel storage facilities at the airport. We of course would like to fund the construction of these facilities with the most attractive financing available in the market.

We would appreciate your efforts in making this project a reality.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff H. Ridings". The signature is written in a cursive, flowing style.

Jeff H. Ridings  
Materials Management  
Energy Purchasing



日本航空株式会社

〒105 東京都港区浜松町1-18-18  
住友浜松町ビル

Apr. 01, 1993

Mr. William R. "Riley" Snell  
Executive Director  
Alaska Industrial Development  
and Export Authority

Subject: Request for your strong support to pass the legislation for the funding of the Anchorage Fueling and Service Company facilities at Anchorage International Airport.

Dear Mr. W. R. Snell;

Regarding the captioned subject, I understand that the meeting among the representatives of the Alaska State Senate, the Alaska Industrial Development and Export Authority and us, AFSC is to be held at 13:00 through 17:00 on April 03 at Juneau, whose purpose is that the Senate Finance committee could find how important this project is for not only AFSC but also for the State of Alaska and the Anchorage International Airport to promote their greater prosperity in the future.

As one of the airlines whose uplift-volume of jet fuel at Anchorage is always at top three's, we, Japan Airlines Co., Ltd. would like you to fully understand that without this funding by the state it is quite difficult to go further towards the goal, which is to meet the integration plan of the airport and the environmental requirement in the state.

To take a look at JAL's operational plan to and from Anchorage, it is anticipated that in the five years' range to come, the total number of flights there will not change so dramatically, in other words, total uplift-volume required there will be always among top 3's.

In a short this project with the funding by the state is essential for JAL so that the airport of Anchorage is to be always kept in a good order and shape, by which the jet fuel can be supplied to us securely.



日本航空株式会社

〒105 東京都港区浜松町1-18-16  
住友浜松町ビル

Mr. William R. "Riley" Snell  
Executive Director, AIDEA

Apr. 01, 1993

Page-2

Thus the success of this project with the funding by the State shall be essential for not only the Anchorage Fueling and Service Company as a whole but also for us, Japan Airlines as an individual.

In this connection we shall be very much obliged if you could give us your full support for obtaining the approval of the funding by the state in the next Legislative to be held in this May.

Appreciating once again your usual cooperation to us, we remain,

Sincerely Yours,

A handwritten signature in cursive script, appearing to read 'S. Kobayashi'.

Shigeru Kobayashi  
Senior Director, Fuel Department  
Japan Airlines Co., Ltd.  
Tokyo, Japan

/Sk

QD ANCBNXH  
.SINPASQ 020813  
ANCBNXH

PA APR02/93-182  
TOM MUSHOVIC/NG CHEE KIEN  
RYT 31141. WE ARE UNABLE TO ATTEND THE 3 APR MTG. HOWEVER  
WE CONFIRM SUPPORT OF THE PROJECT FUNDING THRU AIDEA.  
BRGDS

;  
0920920 AMBNH 001

**TESORO ALASKA**

April 2, 1993

Mr. Riley Snell  
Director  
Alaska Industrial Development Authority  
480 W. Tudor Road  
Anchorage, Alaska 99503

Subject: Tesoro Alaska Support of S.B. 171

Dear Mr. Snell:

As per our recent discussion, Tesoro Alaska supports the successful passage of Senate Bill 171 which will facilitate financing of needed aircraft fueling facilities at the Anchorage International Airport. These improvements are needed and will enable Alaska's support facilities to keep pace with the current and future needs of the air cargo and passenger services. The result provides benefits to all Alaskans.

We will attempt to follow the progress of this legislation and will be available to assist your efforts as appropriate. I will not be able to be in Juneau next week for your planned hearing; however on behalf of Tesoro Alaska please feel free to communicate our support.

If we may be of any future assistance in this, or any other matter, please do not hesitate to contact me.

Sincerely,



Gene Burden  
Senior Vice President

cc: Senator Drue Pearce  
Senator Loren Leman  
Senator Johnny Ellis  
Senator Dave Donley



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 661-8060 • FAX (907) 561-8996

**PROJECT FACT SHEET:**

**Matanuska-Susitna Borough dock and associated infrastructure to service the MIDREX direct reduction iron processing plant**

**DATE:** March 31, 1993

**STATUS:** Legislation is currently pending in the Alaska State Legislature to provide bonding authority for this project.

**PROJECT BUDGET:** \$30 million in bonding authority is sought for dock facility.

**SOURCE OF FUNDS:** Bonds sold by AIDEA to be repaid by user/handling fees.

**PURPOSE:** To provide tax-exempt financing for a public-use dock and associated infrastructure to service and support a MIDREX Direct Reduction Corporation (MIDREX) direct reduction iron processing plant at Point Mackenzie in the Matanuska-Susitna Borough.

**PARTICIPANTS:** AIDEA will finance the acquisition, design, and construction of a public use port facility; MIDREX Corporation (a subsidiary of Kobe Steel, Ltd of Japan) will provide technology and assist in finding investors and a plant operator for the \$200 million direct reduction iron processing plant. The land is currently owned by the Matanuska-Susitna Borough.

**BACKGROUND:** The Matanuska-Susitna Borough has been working with MIDREX to encourage the corporation to locate in Alaska to produce a product through the reduction of iron ore which is used in the manufacture of steel products. Processing requires a long-term source of natural gas, found abundantly in Alaska. Ore would be imported from South American or Australia, reduced, and the processed product would be exported to the Pacific Rim. MIDREX, which has process license agreements with owners of 42 plants world-wide, would be the project manager and insure that the plant is properly engineered and operated. Direct reduced iron ore - a more pure form of iron - has seen increased demand as a supplement to scrap processing as processors have shifted away from large plant technology to new-technology electric arc furnaces used in smaller mills which specialize in steel products for niche markets.

**ECONOMIC EFFECTS:** The MIDREX plant will provide 100-120 jobs in the Mat-Su area - a region historically known for high unemployment rates.

**SOCIAL EFFECTS:** The facility will strengthen the Southcentral economy by providing additional value-added processing of steel products.

**SCOPE OF PROJECT:** MIDREX began exploring the possibility to locate a plant in Alaska in early 1992. A final decision on the feasibility of the project is expected in April, 1993. If found to be feasible, construction may begin during the summer construction season of 1993. The plant will have the ability to manufacture approximately one million tons of reduced ore annually and will cover an area larger than a football field.



## MATANUSKA-SUSITNA BOROUGH

350 East Dahlia Avenue, Palmer, Alaska 99645-6488  
BOROUGH MAYOR'S OFFICE • Phone 745-9882

April 5, 1993

Senator Drue Pearce  
Alaska State Senate Finance Committee  
Alaska State Legislature  
Juneau, AK 99811

### AIDEA REVENUE BONDS FOR PORT MACKENZIE

It has come to my attention today that the Senate Finance Committee has delayed their decision on AIDEA bonding for Port MacKenzie for reasons not clear to me. If you have some problems with this, maybe I can give you some reasons to support this proposal.

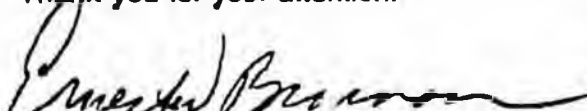
1. These are revenue bonds that must be paid back to AIDEA with revenues generated by the project.
2. The port project is resource driven - not a build and they will come. A MIDREX representative is there to show you their interest in this project.
3. The MIDREX project is environmentally benign.
4. This MIDREX project would probably stimulate Idemitsu-Kosan to open up the Wishbone Coal Mine.
5. The port would stimulate the forest industry along the railbelt corridor.
6. The projects combined would generate at least 300 good paying jobs.

MYTV/LJG/RR/AIDEA

7. The Matanuska-Susitna Borough has spent well over a million dollars pursuing this project in studies and road construction to the port site. (Borough Manager Don Moore will speak directly to this item at your hearing.)
8. The Matanuska-Susitna Borough has five thousand (5,000) acres of land that can be committed to this project.
9. This is one of the few projects in the state that is private industry driven.
10. The Matanuska-Susitna Borough desperately needs the economic base. As you may or may not know, this borough's only tax base is derived from real and personal property taxes. And, the problem with that is there is only 3 percent of the land in private ownership. The state of Alaska owns 59 percent and the Federal Government owns 30 percent. The Mat-Su Borough owns approximately 2 percent and 3 percent is owned by Alaska Native Corporations.
11. The last figures (1991) I had on unemployment benefits and public welfare receipts distributed in the Mat-Su Borough was approximately \$12 million or 11 percent of the state's total.
12. The MIDREX project will stimulate economic development and transportation expansion throughout the railbelt area.

Give us, for once, the opportunity to address our problems and needs.

Thank you for your attention.

  
ERNEST W. BRANNON, MAYOR



# Matanuska-Susitna Borough

350 EAST DAHLIA AVE, PALMER, ALASKA 99645-6488 • PHONE 745-9682

BOROUGH MAYOR

April 5, 1993

Honorable Steve Frank and Drue Pearce, Co-Chairs  
Senate Finance Committee  
State Capitol Building, Room 518  
Juneau, Alaska 99801-1182

Dear Senators Frank and Pearce:

Attached are the schedules of expenditures by the Matanuska-Susitna Borough for the development of the industrial property at Pt. MacKenzie since 1987. As this information shows, the Borough has invested over \$2 million to make this site suitable for major private industries, such as MIDREX, to locate and operate in the state of Alaska.

The expected return on this investment will be in the form of more jobs for Alaskans, lease payments, property sales, an expanded tax base, and other positive economic benefits for the state and local economies.

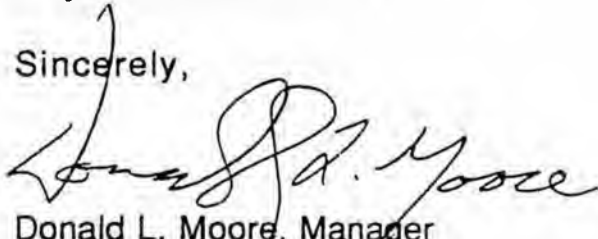
S.B. 171 would authorize AIDEA and the Borough to work with the private investors to arrange financing for the public-owned assets associated with this project. Such financing will be accomplished as a loan, and not as a grant.

The basis of both AIDEA's and the Borough's involvement in the MIDREX project is as investors seeking a return for our citizens/shareholders.

Senate Finance Committee, Page 2

It is my hope that you will find the attached information helpful in making a decision on S.B. 171, and that you will share this information with the other members of the Senate Finance Committee. If I can be of any further assistance, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donald L. Moore". The signature is written in dark ink and is positioned above the printed name.

Donald L. Moore, Manager  
Matanuska-Susitna Borough

DLM:whk

Attachments (4 pages)

**PORT DEVELOPMENT OPERATING EXPENDITURES**

**BY FISCAL YEAR**

	1989	1990	1991	1992	1993
Salaries	53,805	80,913	28,234	-0-	-0-
Benefits	15,539	26,083	10,547	-0-	-0-
Expenses Within Borough	1,905	3,542	3,341	263	523
Expenses Outside Borough	6,471	17,197	8,406	8,443	6,877
Communications	663	2,348	1,208	12,749	185
Advertising	645	2,495	3,781	6,902	-0-
Printing	470	824	492	10,589	20
Rental/Leases	210	-0-	200	134	-0-
Professional Charges	-0-	111,044	27,223	12,391	3,309
Maintenance	-0-	85	20	361	-0-
Contractual	3,294	19,758	78,688	116,946	68,721
Office Supplies	830	1,162	648	501	-0-
Miscellaneous Supplies	1,131	1,634	199	759	-0-
Equipment Under \$300	546	346	230	-0-	-0-
Other Equipment	9,916	1,250	-0-	1,120	-0-
Furnishings	-0-	356	-0-	-0-	-0-
<b>TOTAL</b>	<b>95,425</b>	<b>269,057</b>	<b>163,217</b>	<b>171,158</b>	<b>79,635*</b>

\* Note the amounts for fiscal year 1993 represent only amounts actually expended or encumbered through December 3, 1992.

**SPECIFIC PROJECTS ASSOCIATED WITH THE PORT  
EXPENDITURE BY FISCAL YEAR**

Port MacKenzie Port Road

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	TOTAL
<b>LAND</b>							
Consultants		21,500.00	9,600.00			665.41	31,765.41
Design/Recon.		91,877.00	14,825.00				106,702.00
Printing Costs						5,000.00	5,000.00
Construction					43,829.03		43,829.03
Materials Purchased					92.25		92.25
Misc. Expenses	26.55	96.30	133.00		387.31	26.00	669.16
Advertising	226.40	360.90					587.30
<b>ENGINEERING STAFF</b>							
Administrative Time	3,805.34	5,283.64	1,367.14	5.75			10,461.87
Inspection Time		391.16					391.16
Survey Time		4,994.27					4,994.27
Design Time	1,511.27	503.25	1,742.27				3,756.79
<b>TOTALS</b>	<b>5,569.56</b>	<b>125,006.52</b>	<b>27,667.41</b>	<b>5.75</b>	<b>44,308.59</b>	<b>5,661.41</b>	<b>208,249.24*</b>

\* The funding for this project was from the following revenue sources: General Fund Balance (\$21,460), Land Management Fund (\$90,000) and a State Administration Municipal Grant (\$96,789.24).

Point MacKenzie Phase III Road\*\*

	FY 88	FY 89	FY 90	FY 91	FY 92	TOTAL
<b>LAND</b>						
Land	10,653.62					10,653.62
Survey	5,100.00					5,100.00
Administration (PS&E)	387.00					387.00
Construction	673,043.21	2,940.47				675,983.68
Rental	5,113.03					5,113.03
Materials Purchased	46,197.86					46,197.86
Legal Expense	1,000.65					1,000.65
Advertising	12,757.87					12,757.87
Film Processing	836.30					836.30
Mail Delivery	424.11					424.11
	15.00					15.00
<b>ENGINEERING STAFF</b>						
Administrative Time	37,521.25					37,521.25
Inspection Time	9,239.35					9,239.35
Survey Time	32,985.19					32,985.19
Design Time	1,674.94					1,674.94
<b>FURNISHINGS/EQUIP.</b>						
Furnishings/Equip.	40,006.10					40,006.10
Advertising	104.05					104.05
<b>TOTALS</b>	<b>877,059.53</b>	<b>2,940.47</b>				<b>880,000.00*</b>

\* Funding for this project was from the Land Management Fund.

\*\* Phase II related to agricultural parcels only.

Point MacKenzie Transportation Corridor

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>BUILDINGS</b> Adverdsing						223.20	223.20
<b>LAND</b> Design/Recon. Advertising					50,000.00	89.25	50,000.00 89.25
<b>IMPROVEMENTS</b> Survey					23,835.89		23,835.89
<b>TOTALS</b>					<b>73,835.89</b>	<b>312.45</b>	<b>74,148.34*</b>

\* Funding for this project was from the General Fund Balance (\$50,000) and the Land Management Fund (\$24,148.34).

Point MacKenzie East Port Site

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>IMPROVEMENTS</b>		38,600.00					38,600.00
<b>TOTALS</b>		<b>38,600.00</b>					<b>38,600.00*</b>

\* Funding for this project was from the Land Management Fund.

Point MacKenzie AMSA Plan

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>PLANNING STUDIES</b>	32,400.00	12,833.53	38,766.47				84,000.00
<b>OTHER CONTRACTUAL</b>					24,070.00	7,930.00	32,000.00
<b>TOTALS</b>	<b>32,400.00</b>	<b>12,833.53</b>	<b>38,766.47</b>		<b>24,070.00</b>	<b>7,930.00</b>	<b>116,000.00*</b>

\* Funding for this project was from the General Fund.

In Summary:

Total expenditures from operating funds	\$ 778,492.00
Total expenditures from projects	<u>1,316,997.58</u>
<b>GRAND TOTAL</b>	<b><u>\$2,095,489.58</u></b>



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

**PROJECT FACT SHEET: Alaska Seafood Center/Cold Storage**

**DATE:** February 8, 1993

**STATUS:** Legislation providing bonding authority for this project was not acted upon in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Seafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

**PROJECT BUDGET:** \$50 million (Total cost of the project estimated at \$165 million)

**SOURCE OF FUNDS:** Revenue bonds sold by AIDEA

**PURPOSE:** To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

**PARTICIPANTS:** AIDEA will finance construction in Anchorage of a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

**BACKGROUND:** The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for salmon and other seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

**ECONOMIC EFFECTS:** ASC operations will provide about 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation.

**SOCIAL EFFECTS:** The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

**SCOPE OF PROJECT:** The cold storage warehouse will have a storage capacity of 45 million pounds, 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.

## EXECUTIVE SUMMARY

### Introduction

The Alaska Seafood Center, Inc., a privately-owned company ("ASC" or "the Company"), proposes to develop, build, own and operate a state-of-the-art fish processing, cold storage and distribution center ("the Facility") to be located in Anchorage, Alaska. ASC is being developed at a time of profound change in the seafood industry in Alaska and the eating habits of Americans, i.e., a rapid reduction in the consumption of red meat and an escalation in the demand for seafood. ASC believes that the combination of these circumstances has created a significant opportunity for ASC and for Alaska.

ASC's operations will be based on producing high quality, value added seafood products. ASC will create approximately 450 new year round jobs at the Facility itself and support many other jobs in Anchorage in indirectly related businesses. For example, a great number of jobs will be created in the State transportation system (airline, railroad and trucking) to serve ASC. ASC will also provide economical cold storage and transportation services to smaller fish processors in the State, giving them faster and more profitable access to their customers. The Company's business segments will be:

- Secondary processing of bottomfish based on Alaskan raw material of blocks and fillets from pollock and cod (frozen products).
- Secondary processing of surimi based on Alaskan raw material of surimi blocks, a fish paste primarily made from minced Alaskan pollock (frozen products).
- Secondary Processing of salmon based on Alaskan wildlife salmon (frozen products).
- Primary processing of salmon (chilled products).
- Freight forwarding of salmon and other native fish owned by ASC and others (chilled products).
- Commercial cold storage services for seafood and non-seafood products.

Secondary processing consists of adding value to primary processed raw materials such as fish blocks and individual quick frozen fillets (IQF's). The finished product consists of a portion controlled piece of fish and added coatings, sauces or toppings in order to prepare it for consumption.

When fully on-line, the Facility will have the capacity per day to process (raw material) approximately 210,000 pounds ("lbs") of bottomfish products, 13,000 lbs of surimi products and 180,000 lbs of salmon (during the salmon season). Upon completion, it will have a cold storage capacity of approximately 45 million lbs of seafood and non-seafood products and a chill room capacity for receiving and shipping of chilled fish of approximately 2.2 million lbs. The fish resources of the Bering Sea and the Gulf of Alaska will provide the raw materials for the Company's seafood processing business segments. In 1991, Alaskan waters within the Alaskan Exclusive Economic Zone ("EEZ") produced 4.4 billion lbs of bottomfish which included cod and pollock, the most important species for ASC's production. The salmon harvest was a 60-year record of 725 million lbs.

U.S. fisheries harvest all bottomfish coming from the EEZ. The primary processing (heading, gutting, filleting and in certain cases mincing) and freezing into IQF fillets and fish blocks is done on shore based primary processing plants and on board catcher/processing ships, within hours after the catch so as to avoid spoilage. The resulting products (fish blocks and IQF fillets) are shipped by refrigerated cargo ships to Japan, Korea, Europe and the contiguous 48 states (the "Lower 48") for secondary processing.

ASC offers the opportunity for Alaska to have secondary (value added) processing take place within the State, resulting in a substantial number of year round jobs for Alaskans. ASC will be a major customer of shore based primary processors, buying substantial quantities of product from them, which will eliminate their transportation disadvantage.

ASC offers other Alaskan processors the opportunity to store frozen seafood and offers other food businesses the opportunity to store non-seafood products on a commercial basis. Commercial fisheries can take advantage of ASC's location to store their products in Anchorage and reduce their transportation and storage costs. ASC will provide greater flexibility to other food businesses and distributors by providing them the ability to store larger quantities in Anchorage instead of the Lower 48.

ASC offers freight forwarding of chilled fish products to other Alaskan processors. ASC's logistic capabilities and chill room capacity located close to the airport are essential for air transportation of chilled fish in a regularly scheduled and therefore cost efficient manner.

### **The Facility**

ASC has located several sites on which it has negotiated an acceptable price. They are zoned for processing, storage, wholesaling and distribution operations. All have sewer, water and utility services up to or near the property line which are considered by ASC to be satisfactory for the contemplated uses. Before notice to proceed is given to the contractor, a complete geotechnical study will be done. There are various permits and approvals that are required to be obtained prior to the start of construction and operation of the Facility. ASC is confident that the Facility will receive all these necessary permits on a "fast track basis" based on assurances from the city.

The sites have been selected because of their access to all forms of transportation. They are two to seven minutes from the Anchorage International Airport and about 15 minutes from the Port of Anchorage. All have direct rail access by rail from a spur off the main line to the property boundary via a dedicated easement.

ASC has entered into a \$62,736,000 lump sum turnkey fixed price contract with National Projects, Inc., a subsidiary of Morrison-Knudsen Corporation, ("National") for the design and construction of the Facility. The cost of processing equipment is not included in the contract price. ASC will procure all processing equipment directly from the vendors. Allowances, rather than fixed prices, are included for landscaping, stonework, permits, signs and installation of the first processing line. The contract calls for a construction schedule of 20 months with liquidated damages in the amounts of \$29,000 per day for late completion subject to a cap of \$1,500,000. The contract also provides National with a \$14,500 per day early completion bonus.

The Facility will consist of approximately 245,000 square feet. The first floor will be used for processing, freezing and storage of fresh and frozen fish and other foods. The second floor will be used for sanitary facilities, an employee lunchroom, administrative offices, and a guest lunchroom. The Facility will include a paved parking area and the dock areas will be paved as well, to accommodate refrigerated vans and other trucks. In addition, the truck staging area will provide space for refrigerated vans. The fish processing, processing support and office areas, dock facilities and cold storage building will be constructed with concrete and steel. In the cold storage area, the structure will be approximately 63 feet high, while the racks used to store product will be approximately 50 feet high. The energy building will house the refrigeration equipment, battery charger and heating equipment as well as the maintenance department.

The Facility will use state-of-the-art equipment designed to include the latest proven technological developments. The heart of the ASC seafood processing system will be two secondary bottomfish processing lines, one for battered and breaded products (sometimes called "B&B"), and one line for prepared foods. There will also be a line for the secondary processing of surimi and a line for secondary processing of fish blocks into portions and headed and gutted salmon into steaks. The Facility will have a single line for primary salmon processing (i.e., heading, gutting and filleting). Such salmon then will be either flown out fresh as chilled fillets or glazed and blast frozen in preparation for cold storage as frozen fillets and headed and gutted salmon for later steaking.

ASC's state-of-the-art equipment will make it possible to process chilled and frozen products in a cost efficient manner. Strict hygiene and quality control standards, which meet or exceed U.S. inspection criteria, will ensure that the finished products can meet customers' demands for the highest quality.

### Employment

When fully on line, ASC's operations will provide approximately 450 new year round jobs to Alaskans who will be employed directly at the Facility. In addition, numerous other existing and newly created jobs will be supported in the businesses that serve and service the Facility. For example, many jobs will be created in the transportation sector (airline, railroad and trucking). Also, the wages paid to the employees at ASC and the related service businesses will benefit the local economy according to the economic multiplier for the community.

While Anchorage can provide a well educated labor force, ASC will need to train new staff at many different levels of the organization. For this reason, and because ASC needs to start up new functions in the areas of technical operations, processing, sales/marketing, logistics and administration, a start up schedule for the operation has been carefully worked out. ASC's production and service activities will be ramped up over several years and the employees will be hired in accordance with this schedule.

### Location

The Facility's location in Anchorage will place it close to the bottomfish harvesting grounds and at the center of the four major Alaskan salmon fishing areas. Anchorage is a beautiful modern city, the largest in Alaska, with a year-round moderate climate and a population of approximately 225,000 people. The Anchorage location will provide a competent and stable labor force and a readily available supply of workers, many already experienced in seafood processing.

Transportation of frozen raw materials to the Facility and of frozen finished products to the market will be by surface transportation.

To get the chilled fish products to the U.S. market and abroad ASC will take advantage of Anchorage International Airport, which is the biggest air cargo center in the U.S. The airport provides access to all destinations served by the eleven international and ten domestic airline companies operating there. Major air cargo carriers such as Japan Airlines and Korea Airlines have facilities at the airport and United Parcel Service and Federal Express have recently completed major international cargo and package terminals as well.

### Raw Materials

ASC, with its location in Anchorage, Alaska, will have access to one of the world's most important fisheries. The Alaska Seafood Center will process three of the top four fish species in the U.S., based on landed seafood tonnage - Alaska Pollock #1, Salmon #3, and Cod #4. In 1990, Alaska handled 5.4 billion pounds of landed fish, five times as much as the state with the second highest tonnage, Louisiana (which is predominantly shrimp). Based on the dollar amount of seafood products, Alaska handled five times as much fish as the second highest state, Massachusetts. Alaska is a reliable and well-managed source of high quality fish. Access to high quality raw materials is a worldwide problem for the seafood industry. In the northern hemisphere there are only three major areas (the North Sea in Europe, the Grand Banks of New England and Nova Scotia, and Alaska) that have the shallow cold water which can support commercial levels of bottomfishing. The processing industries of the North Sea and the Grand Banks lack adequate raw materials because the fish stock has been greatly overfished. Alaskan fisheries, however, are not overfished and are extremely well managed by Federal and State authorities. ASC will have direct access to the world's largest fishery of high quality wild salmon, unlike other processors which may use farmed salmon, which is often of lower quality and is often chemically treated.

ASC has entered into contracts with three suppliers which either procure or otherwise control seafood products in adequate quantities and qualities to more than meet its requirements. ASC also has received expressions of interest from other seafood product suppliers.

### Demand for Seafood Products

As the U.S. population ages and becomes more health conscious, Americans are turning to fish, among other items, as an essential part of a healthy low cholesterol and low fat diet. Consumer expenditures for fish in 1990 totalled \$26.7 billion, of which one-third was sold in stores (primarily supermarkets) and two-thirds were sold through the food service sector, including restaurants. The demand for seafood in the U.S. has been steadily increasing over the last ten years based on an increased consumption per capita and a growing U.S. population.

The National Fisheries Institute indicates that if the 20 pound per capita goal for the year 2000 is met (1990 consumption was 15.5 pounds per capita), U.S. consumers will eat over 5.3 billion pounds of seafood. Comparing this to the 3.9 billion pounds consumed in 1990, an additional 1.4 billion pounds of edible weight of seafood must enter the market by the year 2000. 75 percent of this growth can be attributed to the increase in per capita consumption. Although domestic fish consumption has grown at a rapid rate, Americans still eat approximately one-tenth as much fish as the Japanese and one-fourth as much as the Europeans. ASC believes that this also supports the estimated growth of domestic consumption in the coming years.

The countries in the Far East, i.e. Japan, Taiwan and Korea represent strong markets for seafood products. Because of the lack of raw material, European countries such as France, Italy and Spain also represent markets with sharply increasing demands for frozen and especially chilled seafood products.

### The Market

ASC has successfully developed a market niche for selling its products through extensive studies of the market and competitors and by working with several large buyers of seafood products. ASC's concept for doing business with its customers will be:

- ASC will work with a few large customers on a long term contractual basis.
- ASC will not develop its own brand name but instead will be a reliable supplier of customized private label seafood products based on consistent quality and availability.
- ASC will provide its customers with a one-stop shopping program based on a full range of value added table ready seafood products made from Alaskan raw materials.
- ASC will provide research and development services by working with the customers to develop their private label program of customized products.

In this way ASC will meet the customers needs; for fewer, larger, more reliable, flexible, quality oriented suppliers that will work with them in a one-stop shopping program to develop and maintain their private label products.

ASC will sell its processed seafood products to wholesale grocery and food service distributors, retail supermarket chains, institutional food service establishments, seafood and family style restaurant chains and fast food chains. ASC will market its fresh and frozen seafood products in the United States and abroad through a direct sales organization, brokers and distributors.

ASC contemplates that the Facility will offer services such as cold storage and freight forwarding of chilled fish on a commercial basis.

### Cold Storage

ASC believes that there will be a demand for commercial cold storage services because no large-scale, centralized cold storage facilities exist in Alaska. At present, salmon cold storage is handled primarily by staging refrigerated vans around local processing plants during the salmon season and then bringing the salmon directly to Japan by tramper or taking it through Anchorage for further shipment to Seattle by barge for longer term storage. This approach is costly and inefficient and lowers product quality. Local commercial fishermen can take advantage of ASC's Anchorage based facility to reduce transportation costs and increase product quality. Alaska imports the majority of its foodstuffs from the Lower 48 by barge, which takes from five to seven days to reach Anchorage from Seattle. There is little cold storage in the State and none that could service the overall demand in Anchorage for any extended period of time. The State and Anchorage can take advantage of the greater flexibility by storing imported foodstuffs in Anchorage, i.e., closer to the end users.

### Freight Forwarding

ASC will provide freight forwarding services for chilled fish products owned by ASC and others. The facility will be located close to Anchorage International Airport and will have the necessary chill room capacity and size of operation to work with the airlines on a regularly scheduled and therefore cost efficient basis.

### Ownership and Management of ASC

All of the outstanding stock of ASC is currently owned by members of the family of Howard M. Benedict, President and Chief Executive Officer of ASC. Howard M. Benedict is President of The Benedict Companies formed in New Haven, Connecticut in 1947, and a principal of various other corporate and partnership interests of the Benedict family. For 35 years, he has been actively engaged in commercial real estate development. Over the past several years, Mr. Benedict expanded into other diversified business interests. As an outgrowth of his real estate activities in Anchorage, he became interested in broadening his economic base in Alaska and in 1986 began work which led to the development of ASC. Keld Andersen, an experienced Danish seafood executive, has been appointed Chief Operating Officer and Managing Director of ASC.

Experienced Management. From 1985 to 1989, Mr. Keld Andersen, Chief Operating Officer and Managing Director of ASC, was the general manager of a large modern seafood processing plant, Royal Greenland, in Aalborg, Denmark, which produces ready-made fish dishes, smoked salmon and Greenland turbot, shrimp in brine and other advanced seafood products. During the Royal Greenland plant's development stage, Mr. Andersen was in charge of all feasibility studies, preliminary engineering and construction. After completion of the Royal Greenland plant, Mr. Andersen was in charge of the entire processing plant and was also involved in the marketing and distribution of finished products. During the years 1975-85, Mr. Anderson was Technical Director for one of Denmark's largest primary seafood processors, Skagerak Fiskeexport A/S, and General Manager for a large commercial cold storage operation.

### Financing

Based on construction cost estimates provided by ASC, the total Facility cost is projected to be \$146.4 million. The construction takeout and term financing structure is assumed to be a combination of strategic limited partnership equity and term debt.

ASC is seeking strategic partners and/or investors to invest up to \$50 million equity in the Company. The strategic partners would provide, in addition to the capital investment, significant marketing and distribution expertise for the fish products produced by the Facility.

The debt financing which will be solicited from commercial banks, insurance companies and institutional investors will be arranged after the equity investment has been committed. The Construction Loan will be for 100% of the Facility cost and, at completion will be replaced by the equity investment with the remaining term debt amortized over seven years.

### Sources and Uses of Funds

The following table shows the estimated cost of the Facility and the sources of permanent financing (\$ in thousands).

<b>Sources:</b>	
Senior Debt	\$ 68,432
Tax Exempt Debt	40,000
Equity	<u>50,000</u>
Total Sources of Funds	<u>\$158,432</u>
<b>Uses:</b>	
Turnkey Fixed Price Construction Contract	\$ 62,736
Allowance for ASC-Designated Equipment	27,132
Construction Contingency <sup>(1)</sup>	5,989
Land	6,432
Construction Management	2,780
Start-Up Expenses	11,886
Insurance	525
Placement, Legal, Engineering, Accounting and Miscellaneous Fees and Third-Party Reimbursables	8,775
Development Fee	2,000
Lender Fees	3,254
Escalation	7,199
Capitalized Interest	<u>7,724</u>
Total Construction Financing	<u>146,432</u>
Working Capital Reserve	5,000
Debt Service Reserve	<u>7,000</u>
Total Term Financing	<u>158,432</u>
Total Uses of Funds	<u>\$158,432</u>

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(1) Includes a 5% building contingency and a 10% equipment contingency.



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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## BUSINESS ASSISTANCE PROGRAM FACT SHEET

**What it is:** A guarantee program on bank originated loans for 1) new loans; and 2) refinancing of existing loans.

**Funds Covered:** Outstanding principal balance and liquidation expenses not to exceed \$1,000,000 cumulative.

**Application Types:**

- A) Short Form — New loans of \$75,000 or less
  - Loan summary including bank's loan approval form and a bank certification that credit has been checked and is satisfactory is the required documentation. This streamlined approval process may be unsecured. The loan guarantees are available to all Alaskan businesses, but targeted especially to assist entrepreneurs in rural areas.
- B) Regular Form Application — All loans over \$75,000.
  - Documents required include loan summary including bank's loan approval form; signed loan application; financial statement; project description/use of proceeds detail; credit history; three years tax returns; appraisal; environmental risk assessment; and if a refinance, existing loan facts.

**Other Requirements:**

- A) 75% loan to value (LTV) maximum;
- B) Terms: 1 - 20 years depending on security
- C) Alaskan resident

**Additional Information/Concerns:**

• Since inception in 1988, 5 loan guarantees ranging from \$25,600 to \$211,000 have been made. While under-utilized to date, changes made by the 1992 Legislature made bank-recommended improvements to the program and interest has increased.

• The Rural Development Initiative Fund (RDIF) established by the Legislature in 1992 through SB 238 and is operated jointly by the Department of Community and Regional Affairs and AIDEA. The RDIF was designed to assist rural Alaskan entrepreneurs who may not currently be served by commercial financial institutions. The Business Assistance program is key to facilitating the RDIF.

• The Business Assistance program is scheduled to sunset on July 1, 1993. Despite its limited use to date AIDEA believes the Business Assistance program is a helpful "tool" to assist in developing and expanding small businesses throughout Alaska.



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

March 22, 1993

The Honorable Senator Drue Pearce  
Alaska State Legislature  
State Capitol  
Juneau, AK 99811

Dear Honorable Senator Pearce:

I would like to take this opportunity to provide you with an update on the Rural Development Initiative Fund (RDIF) loan program. As you will recall, the RDIF program was established by the Alaska Legislature in 1992 to provide business loans to rural Alaskans. The RDIF program targets small businesses that may not be eligible for traditional commercial financing.

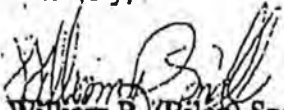
Throughout the latter part of 1992 AIDEA worked closely with commercial lenders and the Department of Community and Regional Affairs (DCRA) in finalizing the emergency regulations and other administrative details of the program. Working in concert with DCRA we produced a brochure for statewide distribution and also bought air time for a paid public service announcement on the Alaska Public Radio Network, whose member stations reach virtually every part of rural Alaska. The response has been overwhelming.

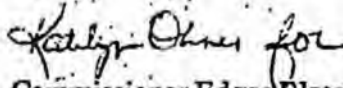
DCRA has been literally flooded with loan applications (over 300). Interest has been so high that radio announcements were canceled after running less than three weeks. Total FY 93 funding for the RDIF program was \$500,000. We share concerns with DCRA that given limited program funding and a maximum loan amount of \$100,000 (\$200,000 for two or more borrowers), the RDIF program will run out of money in a few months. It is critical that there is not a gap in available funding for RDIF loans during the first year of lending activity.

The program also faces an additional challenge: the RDIF program operates under AIDEA's Business Assistance Program, which is scheduled to be sunset on July 1, 1993. AIDEA fully supports the language in HB 110 and companion bill SB 79 which extends the sunset date to July 1, 1994. In our letters of February 17 and March 8, we provided the House State Affairs Committee and the Senate Health and Social Services Committee respectively with an overview of the Business Assistance Program. To date the Business Assistance Program has been underutilized but remains a valuable tool to assist in developing and expanding small businesses throughout Alaska. At the request of financial institutions, changes were made to the Business Assistance program in 1992 under SB 226 and the Authority has seen an increased interest in the program.

I am enclosing a copy of the RDIF brochure. If I can answer additional questions about this exciting new program, or about our Business Assistance Program, please do not hesitate to contact me.

Sincerely,

  
William R. (Riley) Snell  
Executive Director

  
Commissioner Edgar Blatchford  
Dept. of Com. and Regional Affairs

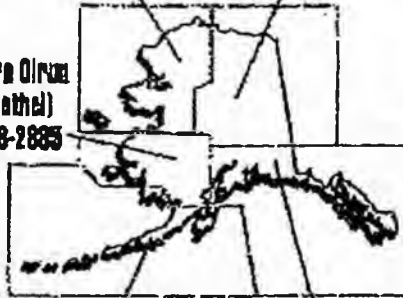
**For additional information  
about a RDIF loan, contact:**

*Estim Lauesen*  
*State-wide Economic Development Specialist*  
*DGRA, 533 W. 4th Ave. Suite 220,*  
*Anchorage, AK 99501-2341*  
*259-4529*

*Economic Development Specialist*  
*Service Areas*

**Vic Goldberry**      **Ted Charles**  
(Nome) 443-5458      (Tok) 833-4484

**Helen Orvas**  
(Bethel)  
548-2885



**Tom Peterson**      **Estim Lauesen**  
(Kotlik) 468-8878      (Anchorage) 268-4528

**For AIDEA Information:**

*Sue Wills, Economic Development Coordinator*  
*Sue Welmer, Loan Servicing Officer*  
*AIDEA, 780 W. 14th, Anchorage, AK 99503*  
*561-8050*

*You may also contact your bank.*

POSTAGE

*Rural Development Initiative Fund*

**RDIF**

*Business  
loans for rural  
Alaskans*



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## What is the RDIF loan program?

The Rural Development Initiative Fund (RDIF) was established and funded by the Alaska Legislature in 1992. Its purpose is to target small businesses that may not be eligible for traditional commercial financing. RDIF loans are geared toward creating employment opportunities in rural Alaska by providing small, basic industries with business capital.

## Who administers the program?

The Department of Community and Regional Affairs, in conjunction with private lenders and the Alaska Industrial Development and Export Authority (AIDEA).



## Who is eligible to apply for a RDIF loan?

Alaska businesses located in communities of 5,000 or less, or in unincorporated communities.

## How do I apply?

Prospective borrowers should discuss their proposed venture with their bank and the Economic Development Specialist serving their region from the Department of Community and Regional Affairs.

The bank and the Economic Development Specialist will work together to initiate and package the loan for submission to AIDEA. If the loan is approved, AIDEA may guarantee 80% of the bank's financing, with up to 20% of the remaining financing coming from the Department of Community and Regional Affairs.

## How can I use a RDIF loan?

Purpose	Terms
Working Capital	Maximum of 5 Years
Personal Property	Maximum of 15 Years
Construction	Maximum of 20 Years

## What is the maximum amount that I can borrow?

\$100,000 per individual borrower or \$200,000 for two or more borrowers. The number and size of loans may be limited by availability of funding.

## Is there an application fee?

Yes, it's \$100.

## What is the interest rate?

7% until Octob. 1, 1993  
Prime + 1% thereafter  
(Never less than 6%)