

HB

119

<TARGET><BILL>HB 119</BILL><SUBJECT>HB
119</SUBJECT><COMM>SF IN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/11

FURTHER:
DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 119(EDT)

HB 119-AIDEA: PROCUREMENT; PROJECTS

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority creating subsidiaries regarding projects financed under AS 44.88.172; and providing for an effective date."

and recommends:

- be replaced with SCS CS HB 119 (FIN) Same Title Technical Title Change New Title/SCR No. 13
- adopt previous SCS _____ () Same Title Technical Title Change New Title/SCR No. _____

- attached amendment(s) _____ Letter of Intent
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DEC			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
		Thomas	✓			
		EGW	✓			
		McGuire	✓			
		Olson			✓	
		ELLIS	✓			
CO-CHAIR:			✓			
CO-CHAIR:		STADMAN			✓	

FISCAL NOTE

**STATE OF ALASKA
2011 LEGISLATIVE SESSION**

BILL NO. CSHBHB119(L&C)

Analysis

The amendment to HB 119 would authorize Alaska Housing Finance Corporation (AHFC) to create a subsidiary corporation in order to become a development partner with a private entity in the acquisition, creation and development of affordable housing.

Costs for creation of a subsidiary will be legal fees which are expected to be absorbed by the AHFC operating / capital funds.

AHFC does not anticipate hiring permanent staff for the subsidiary.

Staffing is expected to be on a project by project basis in which the project financing budget will cover the costs.

As a result, zero fiscal impact is anticipated for this bill amendment.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
 Bill Version HB119
 (H) Publish Date 1/24/11

Identifier (file name) 1745-CED-AIDEA-01-10-11
 Title AIDEA Project Ownership and Project Definition
 Dept. Affected DCCED
 Appropriation AIDEA

Allocation AIDEA Operations

Sponsor _____ Rules Committee _____
 Requester _____ Request of the Governor _____ OMB Component Number 1234

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES								
CHANGE IN REVENUES								

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	Part-time	Temporary							

Why this fiscal note differs from previous version

Prepared by Sara Fisher-Goad, Deputy Director - Operations Phone 907-771-3012
 Division Alaska Industrial Development & Export Authority Date/Time 1/21/11 12:25 PM
 Approved by Susan K. Bell, Commissioner Date 1/21/2011
Commerce, Community & Economic Development

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 119

Analysis

The bill allows AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset. This bill also expands the definition of development projects that AIDEA may own and operate to include projects which "enhance or promote economic development associated with transportation, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research." This bill also enables AIDEA to adopt regulations to establish its own procurement process; similar procurement authority is granted to other state corporations.

This legislation has no operational fiscal impact to AIDEA.

Adopted
4.14.11

27-GH1745E
Kirsch
4/12/11

SENATE CS FOR CS FOR HOUSE BILL NO. 119(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the procurement of supplies, services, professional services, and
2 construction for the Alaska Industrial Development and Export Authority; relating to
3 the definition of 'own' for the economic development account; relating to the definitions
4 of 'development project,' 'plant,' 'facility,' and 'project' for the Alaska Industrial
5 Development and Export Authority; relating to the Alaska Industrial Development and
6 Export Authority creating subsidiaries regarding projects financed under AS 44.88.172;
7 authorizing the Alaska Development and Export Authority to issue bonds to finance the
8 expansion, modification, and upgrading of the Skagway Ore Terminal; relating to the
9 operation and management of public housing projects and housing for low-income
10 households by the Alaska Housing Finance Corporation; relating to subsidiary
11 corporations of the Alaska Housing Finance Corporation; relating to harbor facility
12 grants, and providing for an effective date."

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

* Section 1. AS 18.55.010 is amended to read:

Sec. 18.55.010. Purpose of AS 18.55.100 - 18.55.290. The purpose of AS 18.55.100 - 18.55.290 is to remedy the acute housing shortage that exists in certain localities of the state by undertaking slum clearance, housing for low-income households [LOW-COST HOUSING PROJECTS], housing for persons and their families engaged in national defense activities in the state, and housing projects and housing for veterans and other citizens of the state and to remedy the short supply of necessary public buildings by providing for the financing, construction, and acquisition of public buildings for lease to the state.

* Sec. 2. AS 18.55.120 is repealed and reenacted to read:

Sec. 18.55.120. Housing for low-income households. For purposes of AS 18.55.100 - 18.55.290, the corporation shall manage and operate housing for low-income households with rentals fixed at the lowest rates consistent with decent, safe, and sanitary dwellings.

* Sec. 3. AS 18.55.130(a) is amended to read:

(a) In the operation or management of housing for low-income households [LOW-COST HOUSING PROJECTS], the corporation shall, from time to time, establish rents and requirements for admission of tenants to its housing [LOW-COST HOUSING PROJECTS] in each municipality in which the housing [LOW-COST HOUSING PROJECTS] of the corporation is [ARE] located. [THE RENTS AND REQUIREMENTS FOR ADMISSION ARE SUBJECT TO THE APPROVAL OF THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.]

* Sec. 4. AS 18.55.130(b) is amended to read:

(b) Except in the case of leased housing as provided in 42 U.S.C. 1437f, the corporation shall fix the income limits for occupancy in [OF] its housing for low-income households [LOW-COST HOUSING PROJECTS AND RENTS THAT ARE APPROVED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT] after taking into consideration

- (1) the family size, composition, age, physical disabilities, and other

1 factors that might affect the rent-paying ability of the family; and
2
3 (2) the economic factors that affect the financial stability and solvency
4 of the project.

5 * Sec. 5. AS 18.56.086 is amended to read:

6 **Sec. 18.56.086. Creation of subsidiaries.** The corporation may create
7 subsidiary corporations for the purpose of financing or facilitating the financing of
8 school construction, facilities for the University of Alaska, facilities for ports and
9 harbors, **the acquisition, development, management, or operation of affordable**
10 **housing**, prepayment of all or a portion of a governmental employer's share of
11 unfunded accrued actuarial liability of retirement systems, or other capital projects. A
12 subsidiary corporation may also be created for the purpose of planning, constructing,
13 and financing in-state natural gas pipeline projects or for the purpose of aiding in the
14 planning, construction, and financing of in-state natural gas pipeline projects. A
15 subsidiary corporation created under this section may be incorporated under
16 AS 10.20.146 - 10.20.166. The corporation may transfer assets of the corporation to a
17 subsidiary created under this section. A subsidiary created under this section may
18 borrow money and issue bonds as evidence of that borrowing, and has all the powers
19 of the corporation that the corporation grants to it. However, a subsidiary created for
20 the purpose of financing or facilitating the financing of prepayment of a governmental
21 employer's share of unfunded accrued actuarial liability of retirement systems may
22 borrow money and issue bonds only if the state bond rating is the equivalent of AA- or
23 better and subject to AS 37.15.903. A subsidiary corporation created for the purpose
24 of planning, constructing, and financing in-state natural gas pipeline projects or for the
25 purpose of aiding in the planning, construction, or financing of in-state natural gas
26 pipeline projects is exempt from AS 36.30, including AS 36.30.015(d) and (f). Unless
27 otherwise provided by the corporation, the debts, liabilities, and obligations of a
28 subsidiary corporation created under this section are not the debts, liabilities, or
29 obligations of the corporation.

30 * Sec. 6. AS 29.60.810 is amended to read:

31 **Sec. 29.60.810. Grant applications.** A municipality **or regional housing**
authority that owns a harbor facility may submit to the Department of Transportation

1 and Public Facilities an application for a [MUNICIPAL] harbor facility grant to be
2 used for construction, expansion, major repair, or major maintenance of a harbor
3 facility. The application must include information about the project requested by the
4 department. For a proposed project to be eligible for a grant, the municipality or
5 regional housing authority must provide evidence acceptable to the department that
6 the

7 (1) proposed project is a capital improvement project and not part of a
8 preventive maintenance program or regular custodial care program;

9 (2) municipality or regional housing authority will provide 50
10 percent of the total project cost as matching funds for the state grant and that money
11 received by the municipality or regional housing authority from the state will not be
12 used for the matching funds except money received under

13 (A) AS 29.60.850 - 29.60.879 (community revenue sharing
14 program); [AND]

15 (B) AS 29.60.450, AS 43.75.130, and 43.75.137 (shared
16 fisheries business taxes);

17 (C) AS 43.52.200 - 43.52.295 (excise tax on overnight
18 accommodations on commercial passenger vessels); and

19 (D) a transfer agreement between the state and a
20 municipality pursuant to a sale under AS 35.10.120;

21 (3) municipality or regional housing authority has secured and will
22 maintain adequate property loss insurance for the replacement cost of the harbor
23 facility or has an adequate program of insurance;

24 (4) municipality or regional housing authority has a preventive
25 maintenance plan for the harbor facility and will be adequately adhering to the
26 preventive maintenance plan after completion of the proposed project.

27 * Sec. 7. AS 29.60.820 is amended to read:

28 **Sec. 29.60.820. Award of grants.** (a) The Department of Transportation and
29 Public Facilities may award a [MUNICIPAL] harbor facility grant during a fiscal year
30 only for a proposed project eligible under AS 29.60.810 based on a grant application
31 filed during the immediately preceding fiscal year before February 1. The total amount

1 of grant money made available to a municipality or regional housing authority
2 during a fiscal year may not exceed \$5,000,000.

3 (b) The Department of Transportation and Public Facilities shall award a grant
4 for every proposed project eligible under AS 29.60.810 that is for repair and major
5 maintenance of a harbor facility that was transferred by the state to a municipality or
6 regional housing authority before grants may be made for other proposed harbor
7 facility projects during a fiscal year. However, after the department makes a grant for
8 the repair and major maintenance of a harbor facility under this subsection, no other
9 grants for the repair and major maintenance of that facility may be made during the
10 same or any other fiscal year.

11 (c) The Department of Transportation and Public Facilities shall establish
12 priorities for the award of grants for proposed [MUNICIPAL] harbor facility projects
13 under (b) of this section and priorities for the award of grants for other proposed
14 harbor facility projects, with new construction projects having the lowest priority. The
15 department shall award grants in the order of priority established. In establishing
16 priorities, the department shall include at least the following, in the order listed:

17 (1) the extent to which the municipality or regional housing
18 authority can demonstrate that it will have sufficient revenue to operate and maintain
19 the harbor facility in the future without state aid;

20 (2) public safety and emergency factors;

21 (3) the amount spent by the municipality or regional housing
22 authority on maintenance of the harbor facility;

23 (4) other options that would reduce or eliminate the need for the
24 proposed project; and

25 (5) whether alternative harbor projects would better serve the public
26 interest.

27 (d) The Department of Transportation and Public Facilities may suggest
28 modifications to a project request to achieve cost savings or to better serve the public
29 interest and, if the municipality or regional housing authority agrees, award the
30 [MUNICIPAL] harbor facility grant for the proposed project as modified.

31 * Sec. 8. AS 29.60 is amended by adding a new section to article 7 to read:

1 **Sec. 29.60.830. Definitions.** In AS 29.60.800 - 29.60.830, "regional housing
2 authority" means a regional housing authority established under AS 18.55.996.

3 * **Sec. 9.** AS 36.30.015(f) is amended to read:

4 (f) The board of directors of the Alaska Housing Finance Corporation,
5 notwithstanding AS 18.56.088, the membership of the Alaska Industrial
6 Development and Export Authority, notwithstanding AS 44.88.085, and the board
7 of directors of the Knik Arm Bridge and Toll Authority under AS 19.75.1111, shall
8 adopt regulations under AS 44.62 (Administrative Procedure Act) and the board of
9 trustees of the Alaska Retirement Management Board shall adopt regulations under
10 AS 37.10.240 to govern the procurement of supplies, services, professional services,
11 and construction for the respective public corporation and board. The regulations must
12 reflect competitive bidding principles and provide vendors reasonable and equitable
13 opportunities to participate in the procurement process and must include procurement
14 methods to meet emergency and extraordinary circumstances. Notwithstanding the
15 other provisions of this subsection, the Alaska Housing Finance Corporation, the
16 Alaska Industrial Development and Export Authority, the Knik Arm Bridge and
17 Toll Authority, and the Alaska Retirement Management Board shall comply with
18 AS 36.30.170(b).

19 * **Sec. 10.** AS 36.30.990(1) is amended to read:

- 20 (1) "agency"
- 21 (A) means a department, institution, board, commission,
22 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
23 Veterans' Home, or other administrative unit of the executive branch of state
24 government;
- 25 (B) does not include
- 26 (i) the University of Alaska;
- 27 (ii) the Alaska Railroad Corporation;
- 28 (iii) the Alaska Housing Finance Corporation;
- 29 (iv) a regional Native housing authority created under
30 AS 18.55.996 or a regional electrical authority created under
31 AS 18.57.020;

1 (v) the Department of Transportation and Public
2 Facilities, in regard to the repair, maintenance, and reconstruction of
3 vessels, docking facilities, and passenger and vehicle transfer facilities
4 of the Alaska marine highway system;

5 (vi) the Alaska Aerospace Corporation;

6 (vii) the Alaska Retirement Management Board;

7 (viii) the Alaska Seafood Marketing Institute;

8 (ix) the Alaska children's trust and the Alaska

9 Children's Trust Board;

10 (x) the Alaska Industrial Development and Export

11 Authority;

12 * Sec. 11. AS 44.88.172(a) is amended to read:

13 (a) The economic development account is established in the revolving fund.
14 The economic development account consists of money or assets appropriated, loaned,
15 or transferred to the authority for deposit in the account and other money or assets
16 deposited in the account by the authority. While money is on deposit in the economic
17 development account, the money may be used only to finance, acquire, manage, and
18 operate development projects that the authority intends to own and operate. In this
19 subsection,

20 (1) "operate" includes operation directly by the authority, by an agent
21 of the authority, or by a person as determined under an agreement between the
22 authority and other owners of the development project;

23 (2) "own" includes ownership by the authority of all or a percentage of
24 a development project, or all or a percentage of the shares of a corporation or
25 membership in a limited liability company for which the development project is
26 the sole asset of the corporation or limited liability company.

27 * Sec. 12. AS 44.88 is amended by adding a new section to read:

28 **Sec. 44.88.178. Creation of subsidiaries.** The authority may create one or
29 more subsidiary corporations for the purpose of acquiring, constructing, owning,
30 operating, or financing a project financed under AS 44.88.172. A subsidiary
31 corporation created under this section may be incorporated under AS 10.20.146 -

1 10.20.166. The authority may transfer assets of the authority to a subsidiary created
2 under this section. A subsidiary created under this section may borrow money and
3 issue bonds as evidence of that borrowing, and has all the powers of the authority that
4 the authority grants to it. Unless otherwise provided by the authority, the debts,
5 liabilities, and obligations of a subsidiary corporation created under this section are not
6 the debts, liabilities, or obligations of the authority.

7 * Sec. 13. AS 44.88.900(3) is amended to read:

8 (3) "development project" has the meaning given to "project" in (9)(A)
9 and (D) - (H) [(9)(A) AND (D) - (F)] of this section;

10 * Sec. 14. AS 44.88.900(8) is amended to read:

11 (8) "plant" or "facility" means real property, whether above or below
12 mean high water, or an interest in it, and the buildings, improvements and structures
13 constructed or to be constructed on or in it, and may include roads, fixtures,
14 machinery, and equipment on it or in it, and tangible personal property, regardless of
15 whether the tangible personal property is attached to or connected with real property,
16 if the owner has agreed not to remove the tangible personal property permanently from
17 the state for the period the authority sets; "plant" or "facility" does not include work in
18 process or stock in trade;

19 * Sec. 15. AS 44.88.900(9) is amended to read:

20 (9) "project" means

21 (A) a plant or facility used or intended for use in connection
22 with making, processing, preparing, transporting, or producing in any manner,
23 goods, products, or substances of any kind or nature or in connection with
24 developing or utilizing a natural resource, or extracting, smelting, transporting,
25 converting, assembling, or producing in any manner, minerals, raw materials,
26 chemicals, compounds, alloys, fibers, commodities and materials, products, or
27 substances of any kind or nature;

28 (B) a plant or facility used or intended for use in connection
29 with a business enterprise;

30 (C) commercial activity by a business enterprise;

31 (D) a plant or facility demonstrating technological advances of

1 new methods and procedures and prototype commercial applications for the
2 exploration, development, production, transportation, conversion, and use of
3 energy resources;

4 (E) infrastructure for a new tourism destination facility or for
5 the expansion of a tourism destination facility; in this subparagraph, "tourism
6 destination facility" does not include a hotel or other overnight lodging facility;

7 (F) a plant or facility, other than a plant or facility described in
8 (D) of this paragraph, for the generation, transmission, development,
9 transportation, conversion, or use of energy resources;

10 (G) a plant or facility that enhances, provides for, or
11 promotes economic development with respect to transportation,
12 communications, community public purposes, technical innovations,
13 prototype commercial applications of intellectual property, or research;

14 (H) a plant or facility used or intended for use as a federal
15 facility, including a United States military, national guard, or coast guard
16 facility;

17 * Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 LEGISLATIVE APPROVAL; SKAGWAY ORE TERMINAL. (a) The Alaska
20 Industrial Development and Export Authority may issue bonds to finance the expansion,
21 modification, improvement, and upgrading of the Skagway Ore Terminal. The Skagway Ore
22 Terminal shall be owned by the authority and financed under AS 44.88.172 - 44.88.177. The
23 principal amount of the bonds provided by the authority for the Skagway Ore Terminal may
24 not exceed \$65,000,000 and may include the costs of funding reserves and other costs of
25 issuing bonds deemed reasonable and appropriate by the Alaska Industrial Development and
26 Export Authority.

27 (b) This section constitutes legislative approval required by AS 44.88.095(g).

28 * Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

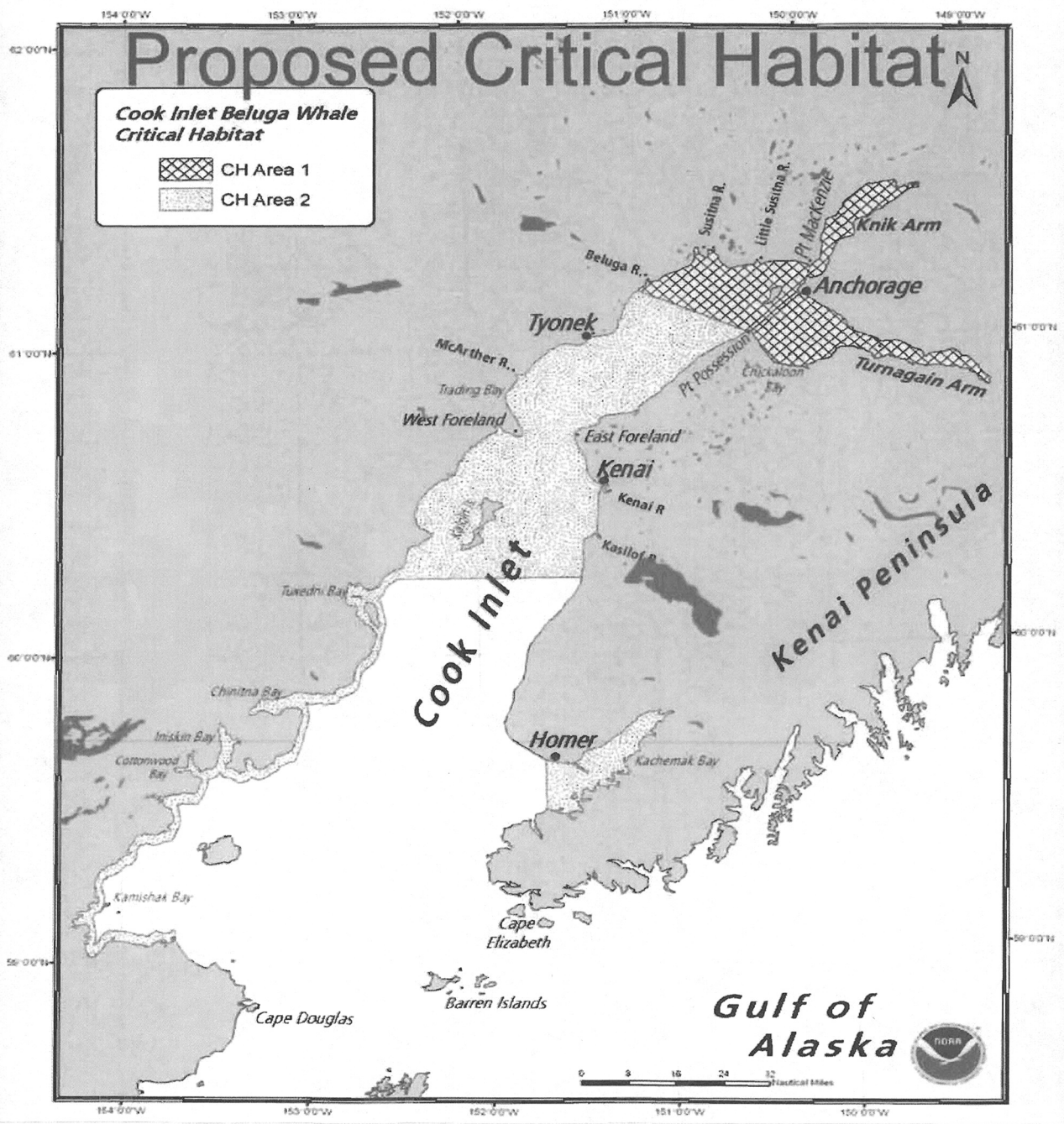
30 RETROACTIVITY. AS 29.60.810(2)(D), added by sec. 6 of this Act, is retroactive to
31 January 1, 1993.

- 1 * **Sec. 18.** AS 18.55.130(c) and 18.55.130(d) are repealed.
- 2 * **Sec. 19.** This Act takes effect immediately under AS 01.10.070(c).

Proposed Critical Habitat

**Cook Inlet Beluga Whale
Critical Habitat**

- CH Area 1
- CH Area 2



Place Name/ Location	Facility	Date of Transfer	Method of Transfer	Transfer Agreement	DOT&PF funding for transfer	SLA	Notes
SKAGWAY	HARBOR	October 21, 2004	Bill of Sale	Yes	\$1,068,852	159/04/110/6	
SITKA	CRESCENT (E-F, 5-7), SEALING COVE & OLD THOMSEN HARBORS	August 30, 2004	Bill of Sale	Yes	\$3,938,000	114/02/5/20	State GO bond
KETCHIKAN	BAR HARBOR NORTH, RYUS FLOAT, THOMAS BASIN HARBOR	August 11, 2004	Bill of Sale	Yes	\$3,938,000	114/02/5/20	State GO bond
WHITTIER	HARBOR	August 2, 2004	Bill of Sale	Yes	\$2,449,000	114/02/5/14	State GO bond
SELDOVIA	HARBOR	May 18, 2004	Bill of Sale	Yes	\$2,628,000	114/02/5/15	State GO bond
VALDEZ	HARBOR	December 3, 2003	Bill of Sale	Yes	\$3,013,300	115/02/5/8	Authorizes 100% reimbursement of local bond dept
WRANGELL	INNER, RELIANCE & SHOEMAKER HARBORS, FISH AND GAME FLOAT, STANDARD OIL FLOAT	August 20, 2003	Bill of Sale	Yes	\$3,492,000	114/02/5/26	State GO bond
CORDOVA	HARBOR	August 3, 2003	Bill of Sale	Yes	\$4,876,000	114/02/5/25	State GO bond
PETERSBURG	MIDDLE & SOUTH HARBORS	June 3, 2003	Bill of Sale	Yes	\$3,729,000	114/02/5/16	State GO bond
JUNEAU	AURORA , STATTER , DOUGLAS, HARRIS & TAKU HARBORS, CITY DOCK , N. DOUGLAS RAMP	April 2, 2003	Bill of Sale	Yes	\$7,119,000	114/02/5/17	State GO bond
KLAWOCK	HARBOR	March 28, 2003	Bill of Sale	Yes	\$896,000	114/02/5/30	State GO bond
WHITTIER	PASSENGER LOADING DOCK	May 15, 2002	Bill of Sale	Yes	\$30,000		
KETCHIKAN	BAR HARBOR SOUTH	May 15, 2002	Bill of Sale	Yes	\$3,938,000	61/01/71/7	
SITKA	CRESCENT HARBOR	November 11, 2001	Bill of Sale	Yes	\$2,180,000	61/01/71/11	
CRAIG	DOCK	December 19, 2001	Bill of Sale	Yes	\$81,000		
PELICAN	HARBOR	September 6, 2001	Bill of Sale	Yes	\$1,451,142	61/01/71/9	
HOMER	HARBOR	April 30, 1999	Bill of Sale	Yes	\$3,605,400	139/98/120/28	
KODIAK	CITY FLOAT, ST. HERMAN'S HARBOR, ST. PAUL HARBOR	March 12, 1999	Bill of Sale	Yes	\$7,775,500	139/98/120/26	
SEWARD	HARBOR	February 25, 1999	Bill of Sale	Yes	\$3,134,200	139/98/120/27	
KETCHIKAN	CITY FLOAT	January 1, 1999	Bill of Sale				
CHENEGA	CHENEGA BAY OSR DOCK/SB HARBOR	October 8, 1998	Bill of Sale	Yes	\$315,000		
TATITLEK	TATITLEK OSR/FERRY DOCK	October 8, 1998	Bill of Sale	Yes	\$315,000		
CRAIG	SOUTH COVE HARBOR	September 14, 1995	Commissioner's Deed	Yes	\$500,000	103/95/55/8	
KING COVE	HARBOR	March 25, 1995	Bill of Sale	Yes	\$352,000		
OLD HARBOR	DOCK, FLOAT	May 20, 1993	Bill of Sale	Yes	\$154,000		
COLD BAY	DOCK	April 28, 1993	Bill of Sale				
CRAIG	NORTH COVE HARBOR	June 30, 1992	Commissioner's Deed				
SITKA	CITY (ANB) FLOAT	June 18, 1992	Commissioner's Deed				
SAND POINT	HARBOR	December 2, 1991	Bill of Sale				
KLAWOCK	DOCK	May 16, 1986	Quit Claim Deed				

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Governor Sean Parnell
STATE OF ALASKA

January 21, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill to provide the Alaska Industrial Development and Export Authority (AIDEA) with more flexibility to encourage greater investment and Alaska resource development. This bill would amend AS 44.88.172(a) to enable AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset. Under its strategic plan, AIDEA works to encourage other investors to join in financing development projects, and to do so, must establish working relationships with those other investors. The proposed legislation will accomplish that goal by providing greater flexibility in how AIDEA and other investors may jointly invest in development projects.

This bill would expand the types of development projects for which AIDEA may own and operate. Under existing law, development projects are basically limited to projects related to making, processing, or transporting goods or products; developing or transporting natural resources; generating or transmitting energy; and infrastructure for tourism destination facilities. This bill would expand the definition of "project" to include projects which enhance or promote economic development. The project must also be associated with transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research. Second, the definition of "project" would expand to include federal facilities, including a United States military, National Guard, or Coast Guard facility, and would also clarify that a component of a project may be a road.

In addition, this bill amends the procurement code (AS 36.30.015(f)) to empower AIDEA to adopt regulations to govern AIDEA's procurement of supplies, services, professional services, and construction.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

SCS CSHB119(L&C) Explanation of Changes

CSHB119(EDT) added the following amendment:

Sec. 44.88.178. Creation of subsidiaries. The authority may create one or more subsidiary corporations for the purpose of acquiring, constructing, owning, operating, or financing a project financed under AS 44.88.172. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing, and has all the powers of the authority that the authority grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the authority."

SCS CSHB119(L&C)

Added the following amendments to the beginning of the bill:

- Section 1: AS 18.55.010
- Section 2: AS 18.55.120
- Section 3: AS 18.55.130(a)
- Section 4: AS 18.55.130(b)
- Section 5: AS 18.56.086

Moved the original bill's sections back to 6 through 11.

Added the following amendments to the end of the bill:

- Section 12:
- Section 13:
- Section 14:
- Section 15:

SCS CSHB119 (L&C) Sectional Analysis

SCS CSHB 119(L&C), "An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority creating subsidiaries regarding projects financed under AS 44.88.172; relating to the operation and management of public housing projects for low-income households by the Alaska Housing Finance Corporation; relating to the subsidiary corporations of the Alaska Housing Finance Corporation; and providing for an effective date.

Section	Analysis
1	Amends AS 18.55.010 Purpose of AS 18.55.100 – 18.55.290
2	Repeals and reenacts AS 18.55.120 to Housing for low-income households
3	Amends AS 18.55.130(a) to clarify the difference between <i>housing for low-income households</i> and the previous language which was <i>low-cost housing</i> .
4	Amends AS 18.55.130(b) changes low-cost housing to housing for low-income households.
5	Amends AS 18.56.086 to allow for the creation of subsidiaries for the purpose of financing the acquisition, development, management, or operation of affordable housing.
6	Amends AS 36.30.015(f) (the procurement code) to allow AIDEA to adopt regulations to govern AIDEA's procurement of supplies, services and construction. AIDEA regulations will be required to reflect competitive bidding principles; AIDEA would be given authority similar to other state corporations such as AHFC and KABATA
7	Amends AS.44.88.072(a) to allow AIDEA to own all or a percentage of a corporation or be a member of an LLC for which a development project is the sole asset of the corporation or LLC
8	Inserts a new section AS 44.88.178 to allow AIDEA to create a subsidiary corporation for the purpose of financing projects under AS 44.88.172. These subsidiaries may be incorporated under AS 10.20.146 – 10.20.166. A subsidiary may borrow money and issue bonds; have powers granted to it by the authority; and the debts, liabilities and obligations of the corporation shall not be those of the authority.
9	Amends AS 44.88.900(3) to include in the expanded definition of development project in AIDEA's development finance projects under which AIDEA owns and operates projects
10	Amends AS 44.88.900(8) to clarify that "roads" may be a component of a project
11	Amends AS 44.88.900(9) to expand the definition of project to include a plant or facility that enhances, provides for, or promotes economic development

	with respect to transportation, communications, community public purposes, technical innovations, prototype commercial application of intellectual property, or research; and a plant or facility used or intended for use as a federal facility, including a US military, national guard, or coast guard facility
12	Repeals AS 18.55.130(c) and 18.55.130(d)
13	Relates to the adoption of regulations.
14	Provides for an immediate effective date of sections 6-11 and 13
15	Provides an effective date of July 1, 2011 for sections 1-5 and 12

Prepared by AIDEA April 5, 2011

SCS CSHB 119(L&C)
Bill Hearing Information Sheet
Prepared by AIDEA
April 5, 2011

SCS CSHB119(L&C), "An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority creating subsidiaries regarding projects financed under AS 4.48.172; relating to the operation and management of public housing projects for low-income households by the Alaska Housing Finance Corporation; relating to the subsidiary corporations of the Alaska Housing Finance Corporation; and providing for an effective date."

This bill provides the Alaska Industrial Development and Export Authority (AIDEA) with more flexibility to encourage greater investment and Alaska resource development. Increased investment in Alaska's industries will further leverage the State's efforts in economic development and promote job creation. It also contains language that relates to the Alaska Housing Finance Corporation's ability to operate or manage housing for low-income households and relates to AHFC's ability to create subsidiaries for the purpose of financing the acquisition, development, management, or operation of affordable housing.

Specifically CSHB 119 allows AIDEA to:

- Expand the definition of development projects under which AIDEA finances, owns and operates projects to include projects which enhance or promote economic development and are associated with transportation, community public purposes, communications, research, technical innovations and prototype commercial applications. This expanded definition will allow AIDEA to expand its investments in important target sectors of Alaska's economy in order to help diversify and grow Alaska's economy.
- Expand the definition further to include federal facilities such as the US military, Coast Guard and National Guard. This expansion will allow AIDEA to support the continued presence and expansion of federal operations (including military) whose spending supports a substantial portion of Alaska's economy.
- Make investments in development projects through corporations or LLCs, thereby limiting the Authority's liability and protecting its assets and credit worthiness.
- Adopt regulations establishing its procurement process. AIDEA, in its role as the State's development finance authority, is focused on developing and financing private sector projects. The changes are needed to increase the efficiency by which AIDEA finances development projects and interfaces with the private sector, ensures timely development and reduces the cost of capital.

- Create a subsidiary corporation for the purpose of financing projects under AS 44.88.172. These subsidiaries may be incorporated under AS 10.20.146 – 10.20.166. A subsidiary may borrow money and issue bonds; have powers granted to it by the authority; and the debts, liabilities and obligations of the corporation shall not be those of the authority.

AIDEA's Answers to Questions Posed by the House Committee on Tourism and
Economic Development Regarding HB 119: AIDEA Procurement and Projects

Question # 1

Is AIDEA not allowed not to invest in a company which has a development project as its sole asset because those investments are seen as being of higher risk? And if so what will AIDEA be doing to minimize this risk?

AIDEA's Response

AIDEA was not allowed to invest in projects through use of a limited liability or corporation because it was set up originally as an Authority which would use its own funds to own and operate projects which supported delineated forms of economic development. It would appear the risk of the investment was not a factor in the use of this sole ownership structure. Rather, the requirement that AIDEA have sole ownership in a project reflected a state policy that the Authority would develop and own projects which would not otherwise be built by the private sector. AIDEA, therefore, was designed to own and operate facilities and projects which supported development of natural resources, tourism and energy (which was added in 1993).

So risk aversion was not a factor in this sole ownership structure. In fact, AIDEA sole ownership of industrial sites and buildings increased the risk for the Authority. Sole ownership meant that AIDEA could not leverage its funds and that AIDEA took all the risk in owning the project. Moreover, sole ownership put all the assets of the Authority on the line should the development project fail or incur some type of liability from an industrial accident.

So AIDEA's statutes were not designed to mitigate risk, but rather to add state capital to the developing Alaska economy. At that time, the prevalent view was that a state could use its own capital to build a facility which would not otherwise be built with private capital. In a newly formed and developing state, this model worked.

Over time, however, this view has changed. The current view of economic development is that state development agencies should be working with the

private sector as partner in developing needed infrastructure. Such public - private partnerships are often referred to as PPPs. PPPs permit the state agency to leverage its funds while decreasing both the risk of financial default and risk of liability arising from the operation of the project.

One change AIDEA now seeks through HB 119 is designed to increase use of PPP projects. The change will permit the Authority to own a percentage of a development finance project - though use of a limited liability company or corporation.

For most of its history, AIDEA was authorized to "own" a development project under AS 44.88.172. This reference to owning a project was interpreted to mean that AIDEA had to own 100% of a project and could not partner with other investors. As a result, AIDEA developed projects in which it was the sole owner, such as the FedEx hangar at Anchorage Airport or the Delong Mountain Transportation System, which is an industrial road and port that supports the Red Dog mine.

Last session, AIDEA sought and received legislative approval for a change in AS 44.88.172 to authorize the Authority to own a percentage of a development project. In this way, AIDEA could partner with other investors, leverage its funds, and lessen its risk. This change also reflected the trend, noted above, for state agencies to work with private entities in economic development.

As AIDEA has worked with this new legislative authority, it was asked by several potential private partners to form an LLC or a corporation as a way to own and manage joint ownership of a proposed project or facility. This use of an LLC or corporation is common in development projects because it sets up a methodology to operate the project. For example, in an LLC, the members can elect a managing member to run the day-to-day operations of the entity. The use of an LLC also mitigates risk because in the event of a default, creditors know that for their recourse, they are limited to the assets of the LLC. This mitigation of risk is important because as AIDEA works with junior companies in sectors such as mining and oil and gas, the Authority will be the investing party which has the most assets, and could be viewed as a deep pocket.

In sum, the change in ownership structure sought through HB 119 is designed to minimize risk, permit AIDEA to engage with private capital, and allow AIDEA to leverage its funds so that it can participate in more economic development projects than it could if it has to fund 100% of each project.

Question 2

This bill also expands the definition of Development Projects. AIDEA may want to include projects which "enhance or promote economic development associated with transportation, community public purposes, technological innovations, prototype commercial applications of intellectual property, or research." Please give one example for each type of project listed. AIDEA would also be allowed to invest in Federal facilities- please give rationale.

AIDEA's Response

Transportation Project: An example would be a project such as fuel storage at Anchorage Airport which supports transportation, but is not linked to transporting natural resources, energy, industrial production, or tourism infrastructure.

Community Public Purposes: An example would be a health care clinic.

Technical Innovations: An example would be development of an industrial plant utilizing new technology which was not supporting natural resources, energy or tourism. Currently, for example, the Authority is looking at a development finance project involving innovative technology in the fishing industry, which involves a natural resource. However, at present, AIDEA could not support a plant using innovative technology in textiles, even though it may have that opportunity.

Prototype Commercial Applications of Intellectual Property or Research: An example would be providing financing for the development of a commercial application of a new process, such as the commercialization of a patent. This would be especially the case when the prototype plant to test commercial feasibility of a patent or innovation may not immediately lead to production which is readily saleable.

Federal Facilities: The rationale for this change is that AIDEA wants to be able to support a significant sector of the Alaskan economy: the federal military. AIDEA has been approached by federal agencies that are interested in AIDEA developing facilities which would be leased to a federal agency. This reflects a trend in federal procurement under which federal agencies do not want to own facilities and instead seek to lease them on a long- term basis.

AIDEA would like to offer this service to federal agencies because states and regions that can offer leased premises are attractive to the federal government. This in turn encourages the location of more federal employees to these areas. In the current economy with tightening federal spending, it is reasonable to

treat the federal government like any other sector of the economy. This is particularly the case when this spending represents a significant portion of the economy. Therefore, it is appropriate to offer the federal government incentives and programs that will encourage federal agencies to locate in Alaska and which can bring in new jobs and investments. Leasing to a federal agency is the same as AIDEA leasing a hangar to FedEx at the Anchorage Airport, or leasing port facilities at Skagway.

Secondly, executing long term leases with a reliable tenant such as a federal agency offer AIDEA a good investment and return on its capital. Finally, at the end of the lease, these facilities will revert back to AIDEA and can then be sold into the private market. This will create economic opportunities and increase property taxes for local communities in which the facilities are located.

Question 3

So right now does AIDEA have to follow the same procurement rules as DCCED? How does this change help?

AIDEA's Response

AIDEA, like most state agencies such as the Department of Commerce, falls under Alaska's State Procurement Code. See AS 36.30.005 (centralization of procurement) and AS 36.30.990(1)(A) (definition of included entities includes departments). The current procurement code, however, excludes certain public corporations, such as Alaska Housing Finance Corporations (AHFC) and the Alaska Aerospace Development Corporation. See AS 36.30.015(f) and AS 36.30.990(1)(B)(iii) and (vi). AIDEA submits that its need to do development projects and interface with the private sector in development projects means that it should be granted the same exclusion form the Procurement Code as its fellow public corporations.

The procurement change in HB 119 would assist AIDEA in accomplishing its economic development mission in several ways. First, AIDEA is often approached by a developer at a stage when the project is seeking financing. At this stage, the developer will usually have a business plan and a detailed design for the project, including architectural and engineering drawings. All of these materials will often be at hand because they are needed to budget the cost of the project. This is a critical component in developing a finance package. Developers are used to having this level of detail when they seek conventional bank financing, for example.

However, if AIDEA decides to finance all or part of a project, it must essentially start all over again and develop a whole new set of plans and specifications for the project - based on the Procurement Code. This includes soliciting new bids on each aspect of the project, even if detailed plans already exist. It has been AIDEA's experience that this can be a barrier to working with a potential client who has expended considerable time and money in developing detailed plans for the project.

Moreover, AIDEA is moving toward a development finance model in which it often will own only part of a project, such as 20%. This limited investment is designed to use state capital only to the extent it is needed to move a project to completion, and to minimize AIDEA's risk if the project does not perform as expected. However, under the current law, AIDEA's minority ownership in a project would mean that the entire project is subject to the Procurement Code.

Another advantage to the proposal in HB 119 is that it permits AIDEA, just like AHFC, to set out an open and fair procurement process by adopting new regulations with oversight from the AIDEA Board. In the event that there is a bid protest, the matter can be heard expeditiously by the AIDEA Board and a decision reached. In contrast, under the Procurement Code, an AIDEA protest would be heard by the DOT&PF Commissioner and then by the Commissioner of Administration. This process is time consuming. In contrast, HB 119 would permit the AIDEA Board to determine bid protests. This places the decision making process in front of an entity familiar with economic development financing.

Question 4

Last session we passed a bill to expand AIDEA's board from 5 to 7 and to increase private sector participation on the Board. Has this process been completed? Am I right in suspecting that an expanded board may be particularly important to AIDEA if this bill passes and AIDEA gains a broader mandate? OR: In what ways might the expanded Board be even more important if this bill passes?

AIDEA's Response

While AIDEA did not request the Board change, the Authority welcomes the participation of additional private sector members. AIDEA's Strategic Plan calls for the Authority to expand the effectiveness of its programs, and this includes forming important private-public partnerships to finance needed economic

development. The five public members of the board bring their expertise and experience to the decision making process, and the new, larger Board allows for the formation of Board subcommittees to review proposed projects and investment opportunities outside of the formal Board meeting process. Their private sector backgrounds assist AIDEA in reviewing both the benefits and possible pitfalls of proposed partnerships with private sector interests in developing a project.

The change in the Board's composition is consistent with the goals of HB 119 to expand and clarify the scope of the agency's economic development mission. The addition of three additional public members means that the Board's composition reflects broader business and geographic experience. This will assist Management and the Board in carrying out the expanded scope of economic development projects contemplated in HB 119.

Question 5

What sources were used to draft the language in HB 119 regarding the proposed list of the types of projects AIDEA can undertake?

AIDEA's Response

As AIDEA began development of its Strategic Plan, it conducted a review of the programs and statutes used by its sister development agencies in other states. In particular, AIDEA focused on the New Jersey Development Corporation, the Wyoming Business Council, the Vermont Economic Development Authority (VEDA), Mass Development, and the Bank of North Dakota.

One constant that appeared from this review is that most state development authorities have programs tied to the nurturing and development of existing economic sectors, as well as having programs to attract new businesses into the state and diversify the economy.

As part of this process, AIDEA retained Western Financial to do a "Strength-Weakness-Opportunities-Threats (SWOT) analysis" of Alaska's economy, as well as an outreach program to the business community for an environmental scan of the economy. This SWOT and scan analysis became cornerstones of AIDEA's Strategic Plan.

At page 33 of AIDEA's Strategic Plan, there is a chart that sets out the economic sectors this analysis indicated should be supported by AIDEA. For example, this list included traditionally important areas of the economy such

as fisheries and tourism, but also includes newer or less well-defined areas such as the federal government, logistics, aerospace, and health care.

In addition to tracking economic sectors identified in AIDEA's Strategic Plan, the expanded list of projects listed in HB 119 reflects the type of economic development work undertaken by development authorities in other states. In 2008, AIDEA and DCCED jointly began a comprehensive review of what other states were doing to support economic growth and diversification in their respective economies.

DCCED was engaged in looking at the programs being offered by state development authorities in over 40 states. Commerce staff surveyed these authorities' web sites, interviewed officials in some states, and researched the statutory powers of these disparate state development authorities, comparing their approaches to AIDEA's statutes. This research showed that while AIDEA was pursuing some of the same economic goals of other states, on the whole its statutory powers were more limited in scope.

As Ted Leonard noted in his testimony last week, the Authority is essentially aimed at promoting economic development projects in four sectors: (1) natural resources; (2) industrial sites; (3) energy; and (4) tourism infrastructure.

In contrast, most other state development authorities have powers to effectuate a broader range of projects. For example, the various Port Authorities in Ohio (which are that state's development mechanism) are authorized by Ohio Statutes [Ohio Rev. Stat. 4582.0] to support a variety of projects:

"Authorized purposes" or "purpose" means either of the following:

- (1) Activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within the jurisdiction of the port authority.."

Ohio also has its Enterprise bond fund which makes loans of up to \$1.5 million for eligible businesses include manufacturing, research and development, and distribution. Retail projects are ineligible.

Another factor this review noted was the support many development authorities offered for new technologies and innovative businesses. For example, one of the best known U.S. development agencies is the New Jersey Economic Development Authority. New Jersey is authorized to finance what it terms Technology and Life Sciences, which encompasses biotechnology. New

Jersey also offers financial support for information and communication technologies as well as offering early state investment funding.

Similarly, Mass Development and the Wyoming Business Council are set up to support new technologies and innovative businesses.

Another factor that emerged from the review is that few development agencies own and operate development projects as does AIDEA. One exception is the West Virginia Economic Development Authority. The WVEDA under Chapter 3, Article 15 31-15-16(a) can "acquire, construct... and operate projects within the state...". This is similar to the language found in AS 44.88.172(a) which permits AIDEA to own and operate development finance projects. What differentiates Alaska from West Virginia is that AIDEA can and does own and operate much larger projects than the WVEDA.

The upshot of this joint research effort was AIDEA's Strategic Plan which, in part, called for seeking legislative authority for AIDEA to broaden and expand the type of projects it could support. One factor was simply to modernize AIDEA's list of permissible projects by adding industries and sectors that did not exist when AIDEA's statutes were first drafted; an example would be communications, which now encompasses the internet and cell phones. This was simply not an important economic sector when AIDEA was formed in the late 1960s. Indeed, the last time AIDEA's list of permissible projects was expanded was 18 years ago, in 1993 when energy was added as a project development category.

In sum, HB 119's list of new permissible AIDEA projects is an effort to keep the authority in sync with changes in Alaska's economy and provide a basis for supporting enterprises which could lead to greater diversification of the economy.