

ALASKA

LEGISLATURE COMMITTEE FILES

1991-1992

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SENATE LABOR & COMMERCE

National Bank of Alaska



Juneau Office P.O. Box 1189 Juneau, Alaska 99802-1189 (907) 586-3324

March 25, 1992

Senator Rick Halford
The Alaska State Senate
Juneau, Alaska 99801

Reference: The Alaska Industrial Development and Export
Authority

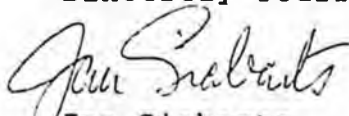
Dear Senator Halford,

AIDEA has become an important tool in providing long term capital for economic development with the results of stability in employment in the state. To businesses in the State the sources of long term funds have shrunk in recent years. The enterprise development account of AIDEA was established to assist the economic needs of business in partnership with other institutions.

We have reviewed a recent draft of Senate bill 226 which we believe will add to the versatility and effectiveness of AIDEA. The loan guarantee program and the loan participation (bank participation) programs will be improved with the bill.

It seems reasonable that the legislature be called upon to fine tune AIDEA from time to time. The banking industry which we are most familiar is in a constant state of change. Changes in the national economy and finance industry sometimes are not in the best interest of Alaska. When possible we should make adjustments so as to promote, develop, and advance the general prosperity and economic welfare of the people, to relieve problems of unemployment, and to create additional employment.

Sincerely Yours,


Jan Sieberts

Side by Side Comparison of
CSSB 226 () and CSSB 410 (STA)

Both bills are identical except for the following sections that are not contained in Senator Rodey's bill:

- Section 3: This section becomes effective 7/1/95 and does not allow AIDEA to issue **any** bonds (except refunding bonds) without legislative approval.
- Section 9: Increases from \$50K to \$100K the maximum amount of a loan in which the Authority may waive collateral requirements and require other provisions as they see fit.
- Section 11: Sets the maximum interest rate on a loan guaranteed by the authority at 2 3/4% above prime. Rodey's SB 410, Section 8 allows for 1 1/2% above prime, on loans that exceed 65% of the loan and 2 3/4% on loans at or below 65%.
- Section 17: Effective Date for Section 3.
- Section 18: Excludes Section 3 from immediate effective date.

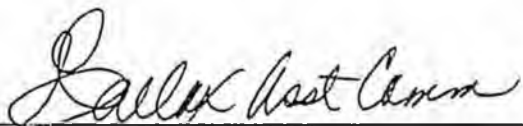
CSSB 226: "An Act revising the loan and loan guarantee authority of the Alaska Industrial Development and Export Authority; and providing for an effective date."

The Authority supports CSSB 226.

The bill, as proposed, reinstates the Authority's ability to issue bonds up to \$10,000,000 for projects which enhance Alaska's economy and provide job opportunities for Alaskans; modifies interest rate restrictions of the Authority's guarantee loan programs and allows the Authority to participate in business development or enhancement loans of any size while limiting the Authority's participation or exposure to \$10,000,000; improves the Authority's ability to develop infrastructure and superstructure to support Alaska's expanding tourism industry while not competing with the private sector; allows the Authority to invest assets of the Authority directly into the Alaskan economy without selling bonds; and diversifies the use of an aircraft facility at the Anchorage International Airport approved by the Legislature in 1990.

While many sections of the proposed legislation are technical amendments, the Authority believes that CSSB 226 is critical to our continued success. All sections of the proposed bill support and enhance the Authority's mission to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment. The Alaskan banking industry has expressed an interest in increasingly utilizing the Authority's programs with the modifications to the guarantee loan programs and participation loan programs proposed in CSSB 226, which include increasing the limit of unsecured loan guarantees from \$50,000 to \$100,000 and provides for a ceiling of 2-3/4 points over the prime rate on the day a loan guarantee is made.

Staff of the department and the Authority recommend support of this bill.



Glenn A. Olds, Commissioner
Date: 3.15.92

7-LS1000V.
Chenoweth
4/2/92

CS FOR SENATE BILL NO. 226 (2d L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR HALFORD

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financing authority of the Alaska Industrial Development and
2 Export Authority and modifying the description of a project for which the legislature has
3 previously approved the Alaska Industrial Development and Export Authority's issuance of
4 bonds; and providing for an effective date."

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

6 * Section 1. PURPOSE. The purpose of this Act is to

7 (1) eliminate a blanket prohibition against the Alaska Industrial Development and Export
8 Authority's ability to issue bonds, other than refunding bonds, without securing the prior approval of the
9 legislature and to restore, until June 30, 1995, a provision of law giving the Authority the ability to issue
10 its bonds to assist in the financing of a development project without prior legislative approval if the
11 proposed bond issue does not exceed \$10,000,000;

12 (2) modify the requirements and restrictions imposed on the use of money in the Alaska
13 Industrial Development and Export Authority's enterprise development account to permit the Authority
14 to improve its capacity to serve as the primary source of secondary project financing in the state;

1 (3) eliminate the interest rate restriction applicable to the loans guaranteed by the Alaska
2 Industrial Development and Export Authority;

3 (4) improve the Alaska Industrial Development and Export Authority's ability to support
4 the state's expanding tourism industry; and

5 (5) modify the project approval given by sec. 25, ch. 123, SLA 1990 to express
6 legislative project approval for the Alaska Industrial Development and Export Authority's participation
7 in the financing of a more versatile aircraft facility at the Anchorage International Airport as presently
8 contemplated by the project's principal sponsor.

9 * Sec. 2. AS 44.88.095(g) is repealed and reenacted to read:

10 (g) Without prior legislative approval, the authority may not issue bonds in an amount
11 greater than \$10,000,000 to assist in the financing of a development project under AS 44.88.172 -
12 44.88.177.

13 * Sec. 3. AS 44.88.095(g) is repealed and reenacted to read:

14 (g) Without prior legislative approval, the authority may not issue bonds, except
15 refunding bonds.

16 * Sec. 4. AS 44.88.155(c) is amended to read:

17 (c) Money and other assets of the enterprise development account may be used to secure
18 bonds of the authority issued to finance the purchase of loans for projects or may [SHALL] be
19 used to purchase participation in the loans for projects.

20 * Sec. 5. AS 44.88.155(d) is amended to read:

21 (d) A loan participation purchased [IN WHOLE OR IN PART] by the authority with
22 assets of the enterprise development account or with proceeds of bonds secured by assets of the
23 enterprise development account [, OTHER THAN A LOAN WHICH IS FINANCED WITH THE
24 PROCEEDS OF BONDS OF THE AUTHORITY AND SECURED ONLY BY A PROJECT
25 APPLICANT OR A PROJECT,]

26 (1) may not exceed \$10,000,000 without prior legislative approval;

27 (2) may not be purchased unless

28 (A) the project applicant is not, or, if the applicant is not a single
29 proprietorship, all members of the business enterprise or enterprises constituting the
30 project applicant are not, in default on another loan made by the state or by a
31 public corporation of the state; and

1 (B) at least 20 percent of the principal amount of the loan is retained
2 by the loan originator;

3 (3) may not be purchased if the loan to be purchased exceeds [EXCEED] the
4 cost of the project or 75 percent of the appraised value of the project, whichever is less, unless
5 the amount of the loan in excess of this limit is federally insured or guaranteed or is insured by
6 a qualified mortgage insurance company;

7 (4) [(3)] may not be purchased if the participation in the loan to be purchased
8 is for a term longer than three-quarters of the authority's estimate of the life of the project or 25
9 years from the date the loan is made, whichever is earlier;

10 (5) [(4)] shall be made only if the participation in the loan to be purchased
11 contains [CONTAIN] amortization provisions; the amortization provisions

12 (A) must be complete and satisfactory to the authority and require periodic
13 payments by the borrower;

14 (B) may allow the loan originator to amortize the portion of the loan
15 retained by the loan originator using a shorter amortization schedule than the amortization
16 schedule for the portion of the loan held by the authority if (i) in the authority's opinion,
17 the project financed can support the increased debt service; and (ii) the accelerated
18 amortization schedule is required to induce the originator to make the loan;

19 (6) [(5)] shall be made only if the participation in the loan to be purchased
20 is in the form and contains [CONTAIN] the terms and provisions with respect to insurance,
21 repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges,
22 default remedies, acceleration of maturity, secondary liens, and other matters the authority
23 prescribes; and

24 (7) [(6)] shall be made only if the participation in the loan to be purchased
25 is secured as to repayment by a mortgage or other security instrument in the manner the authority
26 determines is feasible to assure timely repayment under a loan agreement entered into with the
27 borrower [;

28 (7) MAY NOT BE MADE UNLESS

29 (A) THE PROJECT APPLICANT IS NOT, OR, IF THE APPLICANT IS
30 NOT A SINGLE PROPRIETORSHIP, ALL MEMBERS OF THE BUSINESS
31 ENTERPRISE OR ENTERPRISES CONSTITUTING THE PROJECT APPLICANT ARE

1 NOT, IN DEFAULT ON ANOTHER LOAN MADE BY THE STATE OR BY A
2 PUBLIC CORPORATION OF THE STATE; AND

3 (B) WITH RESPECT TO THE LOAN, (i) AT LEAST 20 PERCENT OF
4 THE PRINCIPAL AMOUNT OF THE LOAN IS RETAINED BY THE LOAN
5 ORIGINATOR; OR (ii) 100 PERCENT OF THE PRINCIPAL AMOUNT OF THE
6 LOAN IS GUARANTEED BY THE UNITED STATES OR AN AGENCY OR
7 INSTRUMENTALITY OF THE UNITED STATES;

8 (8) MUST BE

9 (A) FINANCED FROM THE PROCEEDS OF BONDS; OR

10 (B) EXPECTED BY THE AUTHORITY TO BE FINANCED FROM THE
11 PROCEEDS OF BONDS].

12 * Sec. 6. AS 44.88.155(h) is amended to read:

13 (h) The provisions of this section apply only with respect to a loan participation
14 [LOANS] purchased [OR MADE] by the authority for projects under AS 44.88.155 - 44.88.159.

15 * Sec. 7. AS 44.88.159(d) is amended to read:

16 (d) The provisions of this section apply only to a loan participation purchased [LOANS
17 FINANCED] under AS 44.88.155 - 44.88.159.

18 * Sec. 8. AS 44.88.190(c) is amended to read:

19 (c) A loan participation purchased or financed by the authority [IN WHOLE OR IN
20 PART] is exempt from the provisions of AS 45.45.010. A guarantee extended under
21 AS 44.88.300 or insurance provided under AS 44.88.390 does not constitute insurance for the
22 purposes of AS 21.03.010.

23 * Sec. 9. AS 44.88.535(a) is amended to read:

24 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the

25 (1) loan

26 (A) is commercially reasonable;

27 (B) contains amortization provisions satisfactory to the authority;

28 (C) is secured by adequate collateral; however, the authority may waive
29 on a case-by-case basis the requirement of collateral for a loan guarantee of \$100,000
30 [\$50,000] or less for which the proposed loan amortization period does not exceed five
31 years, but the ability to waive the requirement of this subparagraph or the grant of a

1 waiver does not prevent the financial institution that holds the loan guaranteed by the
2 authority from requiring reasonable collateral for the loan;

3 (2) net cash flow from the borrower provides adequate coverage for the debt
4 service on the loan;

5 (3) term of the loan does not exceed 20 years;

6 (4) loan is originated with and serviced by a state chartered or federally chartered
7 financial institution;

8 (5) portion of the loan not guaranteed by the authority is held by the originating
9 financial institution or another financial institution approved by the authority;

10 (6) loan is made to a business with a majority interest held by state residents; and

11 (7) loan guarantee provides a benefit to the borrower.

12 * Sec. 10. AS 44.88.535(c) is amended to read:

13 (c) For a loan guaranteed under AS 44.88.500 - 44.88.599 that is also guaranteed by
14 the federal Small Business Administration, the authority may guarantee interest on the loan
15 and the fees and expenses attributable to the inception and servicing of the loan to the
16 extent authorized by the federal Small Business Administration. Except for those loan
17 guarantees, the [THE] authority may not guarantee the payment of interest on the guaranteed
18 portion of a loan.

19 * Sec. 11. AS 44.88.550 is repealed and reenacted to read:

20 Sec. 44.88.550. INTEREST ON GUARANTEED LOAN. If provision is made in the
21 loan guarantee agreement, the interest rate on a loan guaranteed by the authority may increase
22 or decrease in accordance with the changes in the prime rate.

23 * Sec. 12. AS 44.88.900(4) is amended to read:

24 (4) "development project" has the meaning given to "project" in (9)(A), (D), and
25 (E) of this section;

26 * Sec. 13. AS 44.88.900(9) is amended to read:

27 (9) "project" means

28 (A) a plant or facility used or intended for use in connection with making,
29 processing, preparing, transporting, or producing in any manner, goods, products, or
30 substances of any kind or nature or in connection with developing or utilizing a natural
31 resource, or extracting, smelting, transporting, converting, assembling, or producing in any

1 manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and
2 materials, products, or substances of any kind or nature;

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

5 (C) commercial activity by a small enterprise;

6 (D) a plant or facility demonstrating technological advances of new
7 methods and procedures and prototype commercial applications for the exploration,
8 development, production, transportation, conversion, and use of energy resources;

9 (E) a new tourism destination facility or the expansion of a tourism
10 destination facility;

11 * Sec. 14. AS 44.88.900 is amended by adding a new paragraph to read:

12 (15) "loan participation" means the purchase of a portion of an existing loan from
13 a bank.

14 * Sec. 15. Section 25, ch. 123, SLA 1990 is amended to read:

15 Sec. 25. The Alaska Industrial Development and Export Authority may issue bonds to
16 finance the acquisition, design, and construction of an [A MULTI-BAY] aircraft maintenance/air
17 cargo/air transport support facility located at Anchorage International Airport, to be owned by
18 the Authority. The principal amount of the bonds may not exceed \$50,000,000. This section
19 grants the legislative approval required by AS 44.88.095.

20 * Sec. 16. Section 3 of this Act takes effect July 1, 1995.

21 * Sec. 17. Except for sec. 3, this Act takes effect immediately under AS 01.10.070(c).

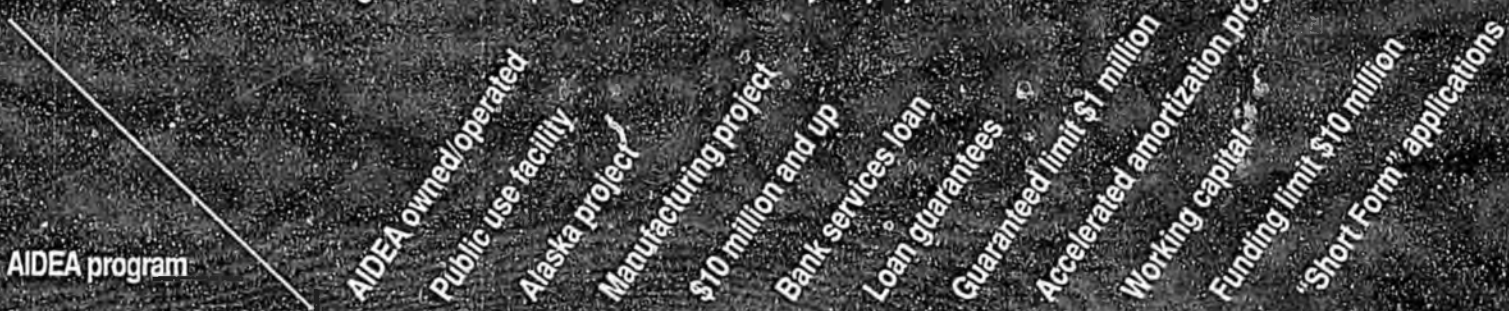
UMBRELLA BOND PROGRAMS

BUSINESS ASSISTANCE PROGRAM

DEVELOPMENT FINANCE

Which AIDEA program is right for you?

Representatives of business enterprises, financial institutions and communities will find this chart helpful in determining which AIDEA program works best for your project:



AIDEA program	AIDEA owned/operated	Public use facility	Alaska project	Manufacturing project	\$10 million and up	Bank services loan	Loan guarantees	Guaranteed limit \$1 million	Accelerated amortization program	Working capital	Funding limit \$10 million	"Short Form" applications
Development Finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
Business Assistance		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax-Exempt Umbrella Bond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		
Taxable Umbrella Bond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		
Revenue Bond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
Export Assistance	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		

AIDEA
Financing Alaska's Future



Alaska Industrial Development and Export Authority (AIDEA)
480 West Tudor Road
Anchorage, Alaska 99503
Phone: (907) 561-8050 • Fax: (907) 561-8998
William H. Scott, Executive Director



Alaska Industrial Development and Export Authority

AIDEA'S MISSION

"To promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment." This was the mandate given to the newly created Authority by the Alaska Legislature in 1967. Twenty years later, in 1987, legislators expanded the powers of the Authority to provide financing guarantees for Alaska exports and changed the name to the "Alaska Industrial Development and Export Authority."

AIDEA accomplishes its mission by facilitating the financing of industrial, manufacturing, export and business enterprises and facilities within the state. AIDEA also has the ability to own and operate facilities which advance its mission.

AIDEA is a public corporation of the State of Alaska, a political subdivision of the Department of Commerce and Economic Development, but with separate and independent legal existence.



DEVELOPMENT FINANCE

Scope: AIDEA assists Alaskans through its ability to develop, own and operate basic installations and facilities within the state, especially those which advance the prosperity of a region.

Eligible projects: Roads, ports, airports, utilities and other public use facilities which are essential for the economic well being of an area and are able to produce

adequate revenues to repay the bonds sold to finance the project.

How it works: Communities or private entities approach AIDEA to develop or acquire projects important to the economy of a region. AIDEA works closely with the local government to ensure that each project is compatible with the local economy and supported by the community. Legislative approval is required for projects requiring more than \$10 million in bonds. AIDEA development and ownership have contributed to these successful projects:

- DeLong Mountain Transportation System (at Red Dog Mine near Kotzebue)
- Skagway Ore Terminal
- Ballyhoo Dock at Unalaska

Contact AIDEA for additional information.

BUSINESS ASSISTANCE PROGRAM

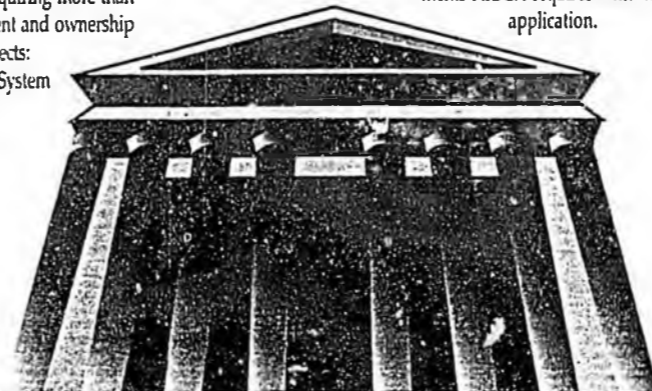
Scope: AIDEA guarantees up to 80% of the principal balance of the loan to the financial institution providing the financing. AIDEA's support can make project financing, refinancing and working capital loans available for projects that might not otherwise be financed.*

Eligible loans: To Alaska business enterprises for real property, equipment or working capital for projects that stabilize the economic base or create or maintain employment.

How it works: An Alaska business applies to a financial institution (bank) for a loan. The bank then submits an application to AIDEA. Loan guarantees may not exceed 20 years, and loans for working capital and those secured by inventory or accounts receivables have shorter terms. A guarantee may be made for up to \$1 million.

Costs: \$100 application fee, 2% fee on amount guaranteed.

*AIDEA also offers a streamlined approval process for guarantees on unsecured loans of \$50,000 or less. These loans are available to all Alaska businesses but targeted especially to assist entrepreneurs in rural areas. A loan summary with the bank's approval and credit verification are the only documents AIDEA requires with the application.



UMBRELLA BOND PROGRAMS

TAX EXEMPT UMBRELLA BOND PROGRAM

Scope: AIDEA provides up to 80% in permanent financing for loans secured through a financial institution. Available for project financing up to \$10 million.

Eligible loans: For the development or purchase of manufacturing facilities, including equipment and fixtures, and public use facilities such as ports, airports and docks.

How it works: Borrowers apply at a financial institution (bank) for a loan financed through the issuance of tax exempt bonds. The bank in turn applies to AIDEA. The bank retains 20% share in the loan, although that share may be amortized more rapidly than AIDEA's. Terms: 15-25 years based on a 75% loan to value ratio.

Costs: \$200 application fee; 1% commitment fee on AIDEA portion of loan; 2% bond issuance costs escrow.

TAXABLE UMBRELLA BOND PROGRAM

Scope: AIDEA provides up to 80% in permanent financing for loans secured through a financial institution by the issuance of taxable bonds. Available for project financing up to \$10 million.

Eligible loans: Newly constructed, acquired or refinanced business enterprises such as fishing boats, shopping centers, office buildings, warehouses, dealerships and airplanes.

How it works: Borrowers apply at a financial institution (bank) for a loan financed through the issuance of taxable bonds. The bank applies to AIDEA for participation in the loan. The bank retains a 20% share in the loan, although that share may be amortized more rapidly than AIDEA's. Terms: 15 to 25 years based on a 75% loan to value ratio.

Costs: \$200 application fee; 1% commitment fee on AIDEA portion; 1.5% bond issuance costs escrow.

EXPORT/REVENUE BOND PROGRAMS

REVENUE BOND PROGRAM

AIDEA acts as a conduit to facilitate financing transactions between borrowers and willing purchasers of the bonds. This type of financing can be advantageous to both the borrower and the purchaser of the bonds. Financial institutions interested in using this program should contact AIDEA for additional information.

EXPORT PROGRAM

Scope: AIDEA guarantees loans secured from a financial institution to provide working capital for an eligible export transaction up to \$1 million.

How it works: An Alaska business requiring pre- or post-export shipment working capital applies to a financial institution (bank) for a loan. The bank applies to AIDEA for a guarantee on the loan. Terms: Up to 90% of the transaction plus interest, up to \$1 million; for 180 and 270 days, with extensions allowed.

Costs: \$100 application fee, 1% fee on guaranteed amount of loan, .25% guarantee fee for export insurance, .25% guarantee fee for extensions.



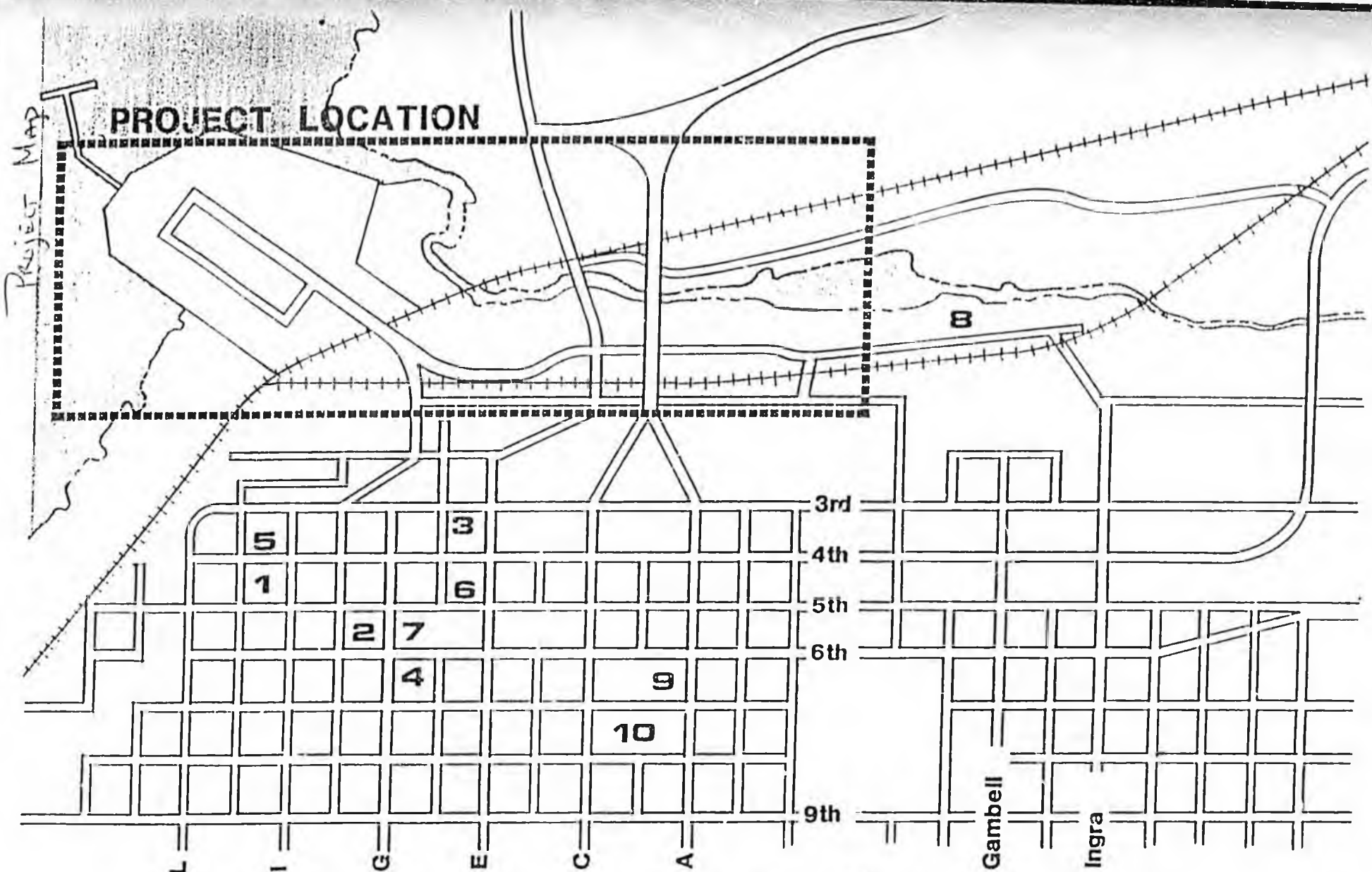
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12	ANCHORAGE SCHOOL DISTRICT - MT. SPURR, MT. ILIAMNA, KENNEDY-MAJOR MAINTENANCE PROJECTS/ROOFS, HEAT AND VENTILATION (ED 7-15)	1,500,000	1,500,000	12
13	ANCHORAGE SCHOOL DISTRICT - FIRE LAKE WATER AND SEWER CONNECTION (ED 7-15)	930,000	900,000	13
14	ANCHORAGE SCHOOL DISTRICT - BARTLETT HIGH SCHOOL HEATING SYSTEM RENOVATION (ED 7-15)	650,000	650,000	14
15	ANCHORAGE SCHOOL DISTRICT - DIMOND HIGH SCHOOL HEATING AND VENTILATION REMODELING (ED 7-15)	700,000	700,000	15

1 GRANTS TO MUNICIPALITIES (AS 17.05.315) (CONT.)		APPROPRIATION		APPROPRIATION FUND SOURCES
2	3	4	5	6
7	8	9	10	11
12	13	14	15	16
17	18	19	20	21
22	23	24	25	26
1	ANCHORAGE SCHOOL DISTRICT - EAST HIGH SCHOOL HEATING AND VENTILATION REMODELING (ED 7-15)	300,000	300,000	GENERAL FUND
2	ANCHORAGE SCHOOL DISTRICT - EUSTINA ELEMENTARY	616,000	616,000	GENERAL FUND
3	MUNICIPALITY OF ANCHORAGE - ANCHORAGE FIRE DEPARTMENT VEHICLES, TRAINING AND EQUIPMENT (ED 7-15)	720,000	720,000	GENERAL FUND
4	MUNICIPALITY OF ANCHORAGE - ANCHORAGE POLICE DEPARTMENT FIAMIGAN BUILDING, PHASE II (ED 7-15)	3,300,000	3,300,000	GENERAL FUND
5	MUNICIPALITY OF ANCHORAGE - SHIP CREEK REDEVELOPMENT (ED 7-15)	5,500,000	5,500,000	GENERAL FUND
6	THE SUM OF 65,500,000 IS APPROPRIATED TO THE			
7	MUNICIPALITY OF ANCHORAGE FOR ACCESS, TIDELANDS FILL AND			
8	UTILITY UPGRADES FOR THE SHIP CREEK BASIN REDEVELOPMENT			
9	PROJECT, CONTINGENT UPON A DEVELOPMENT AGREEMENT BEING			
10	APPROVED BY BOTH THE ANCHORAGE ECONOMIC DEVELOPMENT			
11	CORPORATION AND THE ALASKA RAILROAD CORPORATION THAT			
12	INCLUDES PRIVATE INVESTMENT COMMITMENTS EQUAL TO OR			
13	EXCEEDING THIS APPROPRIATION.			
14	IT IS THE INTENT OF THE LEGISLATURE THAT THIS			
15	APPROPRIATION BE AVAILABLE FOR REAPPROPRIATION IF IT IS			
16	NOT ENUMBERED BY THE APPROVAL OF A DEVELOPMENT			
17	AGREEMENT BY BOTH THE ANCHORAGE ECONOMIC DEVELOPMENT			
18	CORPORATION AND THE ALASKA RAILROAD CORPORATION BY APRIL			
19	22 30, 1992. IT IS ALSO THE INTENT OF THE LEGISLATURE THAT			

1991 SLA CH. 96



- | | |
|----------------------------|--------------------------------------|
| 1 HOTEL CAPTAIN COOK | 6 EGAN CONVENTION CENTER |
| 2 WESTMARK ANCHORAGE HOTEL | 7 ALASKA CTR for the PERFORMING ARTS |
| 3 ANCHORAGE HILTON | 8 ANCHORAGE TRADE CENTER |
| 4 HILL BUILDING | 9 MUSEUM |
| 5 COURTHOUSE | 10 FEDERAL BUILDING |

REC'D FEB 23 1991



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

February 25, 1991

Honorable Johnny Ellis
Alaska House of Representatives
PO Box V (MS 3100)
Juneau, AK 99811

Dear Johnny:

Following is a brief report on the status of the Ship Creek Basin Development Project. After the Municipality approved the Request for Proposal in late November, it was printed and distributed. AEDC then solicited interested developers during January and February, and continues to do so.

On February 7 we held a pre-proposal meeting that was attended by representatives of several development groups. Among the most qualified and financially stable were: Enterprise Corp., Trillium Corp., and Skinner Development Company. The meeting attendees showed strong interest in the project. Our next step is to conduct two marketing trips to the Orient to solicit developers. We hope to maximize the tourism potential by providing a built-in market through the developer.

The proposals are due on August 1. Early indications are that we will have more than one substantial proposal for the project. We should have a developer on board by December 31, 1991.

We will keep you informed as this exciting project progresses.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott", written in a cursive style.

Scott E. Hawkins
President

P.S. As we discussed last month, it is AEDC's intention to remain alert for ways to include disadvantaged and minority-owned businesses and employees in this project.



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

Ship Creek Basin Development

Executive Summary

GOAL: To attract a qualified urban waterfront development team to undertake a major tourism-oriented project in the Ship Creek basin. This will be a planned, phased development that will improve the lower Ship Creek basin for tourism, maritime and resident pedestrian uses.

BENEFITS: Estimated investment in the range of \$50 - 100 million over five years, and 300 to 500 permanent new jobs. The development is likely to include tourism facilities that will address the current shortage of viable attractions in Anchorage. General appeal and community asset quality in the area will also be improved.

NEEDS: Public infrastructure improvements, including access, tidelands fill, and utilities. Total infrastructure needs for the project are likely to exceed \$20 million, although a precise figure will not be known until development proposals are submitted and a developer and development plan are selected.

PROPOSAL: To provide \$10 million of the infrastructure needs with a 1991 appropriation, and the balance in 1992 or later. This will be an essential element of attracting a strong development proposal, and will allow the project to break ground in the 1992 construction season.

DETAIL: AEDC is currently circulating a "request for proposal" that has been approved by both the Alaska Railroad and Municipality. Developers are invited to respond. The successful respondent will be granted a master lease of the 120 acre project area, which includes the waterfront and lands upstream to the eastern end of the Original Townsite project. Details on how the infrastructure funding will be used is shown on the next page.

COST

SHIP CREEK BASIN DEVELOPMENT
PROJECT COST SUMMARY

JULY 1990 ESTIMATE
DEPARTMENT OF PUBLIC WORKS
MUNICIPALITY OF ANCHORAGE

-	Fill and Butress Material (for 61.4 acre portion of project)		\$5,000,000
-	Waterfront Drive Construction (connecting North "C" Street and Christensen Drive, providing separated grade railroad crossing)		\$4,000,000
-	Planning for Wetland Meadow Enhancement and Integration		\$220,000
-	Utilities Installation		
	Permanent 34.5KV electrical	\$500,000	
	Water and Sewer to area	\$350,000	
	TOTAL Utilities Installation		\$850,000
	TOTAL INFRASTRUCTURE COST		<hr/> \$10,070,000

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

Ship Creek Basin Development

Executive Summary

GOAL: To attract a qualified urban waterfront development team to undertake a major tourism-oriented project in the Ship Creek basin. This will be a planned, phased development that will improve the lower Ship Creek basin for tourism, maritime and resident pedestrian uses.

BENEFITS: Estimated investment in the range of \$50 - 100 million over five years, and 300 to 500 permanent new jobs. The development is likely to include tourism facilities that will address the current shortage of viable attractions in Anchorage. General appeal and community asset quality in the area will also be improved.

NEEDS: Public infrastructure improvements, including access, tidelands fill, and utilities. Total infrastructure needs for the project are likely to exceed \$20 million, although a precise figure will not be known until development proposals are submitted and a developer and development plan are selected.

PROPOSAL: To provide \$10 million of the infrastructure needs with a 1991 appropriation, and the balance in 1992 or later. This will be an essential element of attracting a strong development proposal, and will allow the project to break ground in the 1992 construction season.

DETAIL: AEDC is currently circulating a "request for proposal" that has been approved by both the Alaska Railroad and Municipality. Developers are invited to respond. The successful respondent will be granted a master lease of the 120 acre project area, which includes the waterfront and lands upstream to the eastern end of the Original Townsite project. Details on how the infrastructure funding will be used is shown on the next page.

LEGISLATIVE PROPOSAL

Ship Creek fill, roads and bridges

\$10,070,000

Continued development of Alaska Railroad-owned property in the Ship Creek basin is supported by four professional studies of the area and its potential. The Port's Master Plan, the Ship Creek Concept Plan, the Original Townsite Study and the Port's Ship Creek Development Project Concept Design all recommend increasing the usable property at Ship Creek Point and improvement of access roads and bridges. The Municipal resolution (AR 90-28?) which authorizes the AEDC to attract a private developer to the Ship Creek area communicates the intent of the Municipality to include a \$10 million legislative grant request in the 1991 Legislative package for fill, road and bridge work.

Fill Costs

Each of the key elements in the \$10 million package are based on development estimates provided by the Municipal Department of Public Works. Fill and buttress material to complete the 61.4 acre leasehold development was estimated at \$16,870,000 assuming material available at a cost of \$6 per cubic yard. More recent cost estimates by the department have estimated fill material costs at \$10 per cubic yard or 166 % of the original estimate. Fill for the full pad would cost \$28,004,000 at that rate. The administration's recently proposed fill permit does not include the 15 acre "sedge meadow," leaving a total of 28.2 acres available for development once the fill permit is in hand.

Improved access

Access to the site from downtown will be provided by a separated grade crossing of the railroad tracks. Currently the most favored site is a rail crossing at the eastern edge of the Municipality's leasehold which is approached from North C Street via a new road, Waterfront Drive. Christensen Drive would be extended to intersect with Waterfront Drive north of First Avenue. The combined Waterfront Drive/Christensen Drive access improvements are estimated to cost \$7,410,000.

Utilities

Utilities have been installed in the project area. The electrical service is not permanent, however, and no lateral water and sewer lines have been funded to the periphery of the leasehold. Installation of full electrical service the length (east-west) of the Ship Creek Point area would cost \$500,000. Lateral water and sewer lines into newly-filled portions of the site would cost \$250/lin. ft. or \$500,000 for four 500' runs.

Budget

Fill:	Between 500,000 and 957,000 cu. yd. (depending on rate)	\$5,000,000
Access:	Christensen/Waterfront Drive and ARR crossing	4,000,000
Utilities:	Permanent 34.5KV electrical	500,000
	Water and sewer laterals onto newly filled area	350,000
Mitigation:	Planning for sedge meadow enhancement and integration	220,000
TOTAL		\$10,070,000

SHIP CREEK BASIN DEVELOPMENT
PROJECT COST SUMMARYJULY 1990 ESTIMATE
DEPARTMENT OF PUBLIC WORKS
MUNICIPALITY OF ANCHORAGE

-	Fill and Butress Material (for 61.4 acre portion of project)		\$5,000,000
-	Waterfront Drive Construction (connecting North "C" Street and Christensen Drive, providing separated grade railroad crossing)		\$4,000,000
-	Planning for Wetland Meadow Enhancement and Integration		\$220,000
-	Utilities Installation		
	Permanent 34.5KV electrical	\$500,000	
	Water and Sewer to area	\$350,000	
	TOTAL Utilities Installation		\$850,000
	TOTAL INFRASTRUCTURE COST		\$10,070,000

JOINT VENTURE
AGREEMENT



April 20, 1990

ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

Mr. Frank Turpin
President
Alaska Railroad Corporation
P.O. Box 107500
Anchorage, AK 99510-7500

Re: Ship Creek Basin Redevelopment

Dear Mr. Turpin:

This constitutes a letter of intent which sets forth in general terms the goals, process and structure of the agreement between the Anchorage Economic Development Corporation (AEDC) and the Alaska Railroad Corporation (ARRC) for the redevelopment of a portion of the Ship Creek Basin in Anchorage, Alaska.

It is anticipated that the details of both the process and the project will evolve by agreement as we proceed.

GOALS. The primary goal is to accomplish the redevelopment of and tourist oriented investment in the Ship Creek Basin on the South side of Ship Creek, west of the power plant dam to the shoreline of Cook Inlet. This will encompass land owned by ARRC and land leased by the Municipality of Anchorage (MOA) from ARRC. The redevelopment will be accomplished through a project developer selected by an RFP process and approved by ARRC and MOA.

PROCESS OUTLINE. The proposed process is:

1. Execute this letter of intent.
2. Form Project Committee
3. Solicit the input and support of civic organizations, such as Government Hill Community Council, Downtown Anchorage Association, Commonwealth North, Anchorage Chamber of Commerce, and Anchorage Convention and Visitors Bureau.
4. Obtain concept approval by MOA and commitment of its leasehold land, consisting of approximately 60 acres on the shoreline south of the mouth of Ship Creek, to AEDC for inclusion in the RFP process and this project.

550 West 7th Avenue
Suite 1130
Anchorage, AK 99501
Telephone (907) 258-3700
FAX (907) 258-6646

Mr. Frank Turpin
April 20, 1990
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5. Negotiate relocation agreements with existing tenants, other than MOA.
6. Negotiate Master Lease Options with ARRC and MOA for their respective land interests.
7. Pre-RFP consultation with regulatory agencies.
8. Pre-RFP public hearing.
9. Draft RFP and conduct additional public hearing.
10. Finalize RFP and obtain approval of ARRC and MOA.
11. Disseminate RFP to local, regional, national and international developers.
12. Recruit responses by qualified developers.
13. Review responses to RFP and select finalists.
14. Negotiation with developer(s).
15. Selection of successful proposal.
16. Approval of proposal and developer by ARRC and MOA.
17. Finalize and execute development agreement.
18. Assignment/transfer of Master Lease Options to developer.

PROPOSED ELEMENTS. The following have been identified as critical elements of portions of the project structure.

1. The Project Committee will be an AEDC committee which will consist of at least one member each from AEDC, ARRC and MOA. ARRC approval shall be required for persons selected for the committee. Decisions of the project committee must be unanimous.
2. The Master Lease Option must contain the following elements:

Mr. Frank Turpin
April 20, 1990
Page 3

- a. Development Incentives. It will provide for tax free financing of at least five million dollars per year for five years, subject to the requirements of federal and state law. It also may provide for lease rate reduction based on credits for capital investment in leasehold and/or subleasehold improvements associated with the project at ARRC discretion.
 - b. Transferability. The Master Lease Options to AEDC may be assigned or exercised upon final approval of the development agreement by ARRC and MOA.
3. The Development/Project Agreement shall afford opportunities for local small businesses to participate as sublessee owners and operators.

RECOGNIZED CONTINGENCIES AND TOPICS FOR DISCUSSION PRIOR TO DRAFTING RFP. The following list of contingencies and topics which must be addressed is not exhaustive, but serves as a guide for action:

1. The current users/lessees of property within the project and plan for dealing with them shall be identified.
2. The MOA must commit to inclusion of its leasehold acreage before execution of the Master Lease Option between AEDC and ARRC.
3. Environmental risks and concerns, both existing and related to project development shall be identified and a plan developed to address the same.
4. Railroad right of way requirements and safety concerns shall be identified.
5. Inventory and potential utilization of existing and presently proposed improvements within the project area must be evaluated.

AEDC DUTIES AND RESPONSIBILITIES. AEDC shall undertake the following at its own expense:

Mr. Frank Turpin
April 20, 1990
Page 4

1. Solicitation of MOA commitment of the Ship Creek land leased by MOA from ARRC to the project.
2. Office and administrative staff support to the Project Committee.
3. Preparation and issuance of the final RFP.
4. Recruitment of known potential developers to submit responses to RFP.

ARRC DUTIES AND RESPONSIBILITIES. ARRC shall undertake the following at its own expense:

1. Provision of accurate information regarding legal descriptions, existing leases and uses of ARRC land within the project.
2. Expeditious negotiation in good faith of Master Lease Option.
3. Provision of currently available information concerning identified existing or potential environmental hazards or risks within the project area.
4. Assistance and support in dealing with regulatory agencies and MOA.
5. Review and final approval of RFP.
6. Review and approval of final development agreement.

The parties acknowledge and agree that the foregoing allocation of duties and responsibilities is not complete. Other tasks and duties shall be identified and allocated in the course of the work of the Project Committee. Each party shall use its best efforts in accomplishing the goals set forth above.

COMPENSATION. AEDC shall be compensated for its successful efforts by and in such amount as it may receive from the developer for assignment/transfer of the rights of AEDC in the Master Lease Option(s). AEDC may be further compensated for any role which it fulfills in carrying out the development plan for the project, as provided in the development agreement.

Mr. Frank Turpin
April 20, 1990
Page 5

WAIVER OF CLAIMS. Without regard to the success or failure of the efforts of AEDC, ARRC agrees and hereby does release and waive any and all claims of whatsoever type or nature it hereafter may hold against AEDC, its directors, officers, employees or agents arising out of this project, other than those which arise from gross negligence or malicious and intentionally damaging actions. Likewise, and to the same extent, ARRC agrees and hereby does release claims it may hereafter hold against ARRC, its directors, officers, employees or agents arising out of this project.

TERMINATION. This agreement shall continue in force and effect for a period of not less than 18 months or the issuance of the final RFP and 12 months thereafter, whichever shall first occur. The parties may agree at any time to an extension of these time periods.

DISCLAIMER. AEDC cannot and does not guarantee that it will be successful in meeting the goals set forth herein. ARRC agrees and acknowledges that AEDC is not providing legal, tax or other professional advice to ARRC under this agreement and that the responsibility for securing such professional assistance is the responsibility of ARRC.

The parties agree that this letter shall constitute an effective agreement upon its execution by representatives of each corporation.

The staff of the Anchorage Economic Development Corporation looks forward to working with you on this project.

Very truly yours,

ANCHORAGE ECONOMIC DEVELOPMENT
CORPORATION

By: Scott E. Hawkins
Scott E. Hawkins
President

ACCEPTANCE

Accepted and agreed to this 26 day of April, 1990.

ALASKA RAILROAD CORPORATION

By: Frank Turpin
Frank Turpin
President



MOA/AEDC OPTION AGREEMENT

INT VENTURE
AGREEMENT

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Option") is made and entered into by the Municipality of Anchorage, a municipal corporation under the constitution and laws of the State of Alaska, and the Anchorage Economic Development Corporation, an Alaska non-profit corporation ("AEDC").

Recitals

A. The Alaska Railroad Corporation and AEDC entered into a letter of intent dated April 20, 1990 concerning the Ship Creek Basin Redevelopment project, which among other things provided for negotiations of a master lease for real property of the Alaska Railroad within the boundaries of the project.

B. Said letter of intent also provided for AEDC to acquire and hold an option for said master lease pending the selection of a qualified developer and development plan.

C. An approximate 63.3 acre parcel of land included within the boundaries of the project is currently under lease by MOA from the Alaska Railroad Corporation until September 2017, after which time the MOA has an option to renew that lease for an additional thirty-five years.

D. The letter of intent entered into by the Alaska Railroad Corporation and AEDC contemplates that the Ship Creek Basin

Redevelopment project is contingent upon the MOA agreeing to make its lease area available for inclusion in the process.

E. The MOA and AEDC have agreed that the MOA's lease area should be made available for inclusion in the Ship Creek Basin Redevelopment project through the granting to AEDC of an option for a sublease of that property on terms substantially similar to the option agreement negotiated between the Alaska Railroad Corporation and the AEDC.

F. The MOA and AEDC have negotiated the terms and conditions to be set forth in an option for a sublease and wish to reduce the same to writing.

Agreement

1. MOA hereby grants to AEDC an option to sublease that certain real property held by MOA in the Ship Creek Basin, Anchorage, Alaska, more specifically identified in Exhibit A attached hereto, on the terms and conditions hereinafter set forth.

2. MOA and AEDC acknowledge that material terms of the master sublease are not complete due to the process whereby a developer/sublessee is to be selected. This document is subject to further negotiations to accommodate specific requirements of the selected developer/sublessee. The master sublease which

results from the negotiation process as described in this Option and its attachments shall be contained in a document substantially similar to that attached as Exhibit B, and is referred to in this Option as the "Master Sublease".

3. The selection process mentioned in Paragraph 2 above is understood and agreed by the parties to be composed of the following:

a. This Option and the attached exhibits shall be part of a request for proposal (RFP) issued by the Ship Creek Basin Redevelopment Project Committee of AEDC. The MOA and AEDC expressly agree that this committee shall consist of a member of the Alaska Railroad, a board member of AEDC, a member of the Municipal Assembly, and the Mayor of the Municipality of Anchorage. The AEDC agrees to amend the composition of the committee stated on page 27 of the draft RFP to reflect this membership. Delegation of AEDC Ship Creek Project Committee members' voting authority is not authorized.

b. The Project Committee shall unanimously (4 out of 4) select a developer and negotiate a development plan and development agreement to which the developer, MOA and AEDC shall be signatories (the "Development Agreement"). The Development

Agreement shall contain an assignment of this Option and the material terms required to render the Sublease fully effective, such as the percentage of gross revenues to be paid by the developer/sublessee as rent.

c. Other changes to conform the Master Sublease with the approved development plan will be incorporated, e.g., deletion of specific properties as inappropriate to the project, if necessary, and the commencement date of the initial Sublease term to be followed by one renewal term of thirty-five (35) years, which will be subject to the MOA's termination right set forth in Paragraph 4 below.

d. The Development Agreement, the assignment of Option, and the Sublease itself shall not be effective until each has been approved by the Board of Directors of ARRC and the MOA.

4. Notwithstanding the foregoing, the Sublease shall contain provisions substantially incorporating the following concepts:

a. The initial term of the master sublease shall be until September 2017 and, should the MOA elect to exercise its option to renew the lease with the Alaska Railroad Corporation, be renewable upon the same terms and conditions for a renewal term of thirty-five (35) years. A right to terminate will be

reserved to MOA after the initial sublease term. In the event of such termination, Municipality of Anchorage shall compensate the developer/sublessee for the fair market value of its leasehold improvements. Developer/sublessee must give notice of renewal in writing not later than six (6) months prior to the expiration of the initial term or first renewal term, as applicable.

b. Annual rents shall be equal to the sum of the following:

(i) "Minimum Rent". Lessee shall pay to MOA with regard to the Municipality's developable waterfront lands, five percent of the established value of the lands. The established value of the filled portion of the leasehold shall be \$3.00 per square foot through 1996. After 1996, the established value will conform with the AEDC-ARRC master lease option agreement and the lease agreement between the Municipality and ARRC, with the latter agreement in the superior position with regard to conflicting provisions, subject to subsection (a) above. "Gross revenue percentage rent" and "percentage", if due, will be payable to the Municipality of Anchorage in addition to the "minimum rent" described in this Section.

(ii) That portion of the master sublease that applies to unfilled tidelands will be exempt from rent pay-

ments through 1996. After 1996, unfilled tidelands will be leased at a "minimum rent" consistent with the fair market value of unfilled tidelands, as determined lawfully by independent appraisal, until such time as the tidelands are filled. For example, if the fair market value of unfilled tidelands is established by independent appraisal to be \$1.00 per square foot, the base lease rate shall be five percent of that amount per year, or \$0.05 per square foot, minus any capital improvement credits the developer/sublessee may earn.

(11) In no event shall sublessee pay to the MOA an amount less than that which the MOA is obligated to pay under the MOA/ARRC Ship Creek Point Lease.

(2) "Percentage Rent". Developer/sublessee shall pay to MOA as additional annual rent an amount which is a fixed percent of the gross revenues received by developer/sublessee from the real property which is subject to the Master Sublease. The percentage to be paid shall be set forth in the Development Agreement negotiated after evaluation of competitive responses to the RFP.

(3) "Penalty Rent". In the event that, by the beginning of the eleventh (11th) lease year, the developer/sublessee has failed to produce at least 50% of the

projected Percentage Rent presented in its response to the RFP for each of the preceding three (3) years, the developer/sublessee shall pay as Penalty Rent for the 11th lease year an amount equal to the then-current Minimum Rent without any deduction for capital improvement credit. For each year thereafter in which developer/lessee does not produce at least 50% of the Percentage Rent so projected for the 10th lease year, it shall pay as Penalty Rent an amount equal to the then-current Minimum Rent without any deduction for capital improvement credit. In all such cases, Penalty Rent is cumulative to the then-current Minimum Rental and not in lieu thereof.

c. Capital improvement credits against rental due MOA shall be available to the developer/sublessee on the following basis:

(1) Sublessee shall receive annual capital improvement credits which shall be 5.0% of the direct capital construction costs paid during the prior year for projects consistent with the Development Agreement. Notwithstanding the foregoing, in no event shall the annual credit exceed 30% of Minimum Rent then in effect. Otherwise qualifying costs shall not be eligible for credit if they are paid for, directly or indirectly, with funds originating from grants from governmental entities, from general obligation government bonds, or any other

governmental source for which developer/sublessee is not obligated to repay.

(2) The developer/sublessee shall provide an accounting of the qualifying costs and fund sources within sixty (60) days of the close of the sublease year in which the costs were paid. MOA shall issue a credit within 15 days of receipt of the accounting. Such credit will be applied to any rents due at the time the credit is issued and to any future rents due for the then-current year. If no rents are or will be due for the current year, MOA shall refund to the developer/sublessee the amount of the credit within 10 days of issuance, unless MOA elects to require an audit as provided for in subparagraph (3) immediately below.

(3) MOA may require an audit at any time, conducted by the MOA Internal Auditor or the auditor's designee, of developer/sublessee's annual capital improvement cost report by written request made within 30 days of its receipt. Should the audit reveal an overstatement of capital improvement costs of five percent (5.0%) or more, then the developer/sublessee shall bear the expense of the audit; otherwise, MOA shall bear the full expense. Any discrepancy revealed by the audit shall be promptly corrected by the payment of additional rent by developer/sublessee or the issuance of additional credit by MOA, as applicable.

e. Developer/sublessee may assign the Lease only in compliance with the terms of the Development Agreement governing assignment and transfers of interest.

f. MOA will conduct an environmental site assessment for the property subject to this Option prior to execution of the Master Lease and will provide a copy of the results thereof to AEDC and developer/sublessee. The developer/sublessee may arrange for additional site assessment work at its expense and will be required to provide a copy of the results thereof to MOA. MOA will indemnify, hold harmless and defend developer/sublessee and AEDC against all liability, cost and expense (including without limitation any fines, penalties, clean-up costs, judgments, litigation costs and attorney's fees) incurred or levied against developer/sublessee or AEDC as a result of any pollution or environmental contamination upon or affecting the leased real property shown to have been caused after September 30, 1987 and prior to the date of the Master Lease whether such pollution or environmental contamination is revealed by the environmental assessment or is then unknown. This provision shall not require MOA to indemnify, defend or hold harmless developer/sublessee with respect to damages, claims or losses that developer/sublessee may sustain by reason of delay, loss of use or lost profits arising from matters within the scope of the foregoing. However, in the event that a portion of the property is rendered undevelopable for environmental reasons,

annual rents, to include minimum rents, will be reduced on a prorata basis. However, in no event shall the rent paid be less than that obligated by the MOA to the ARRC under its lease agreement.

5. The parties acknowledge that certain real property of MOA included in the proposed Master Sublease premises is now subject to enforceable leases, land use permits, and permits for roads and utilities. Land use permits and certain leases may contain provisions allowing for termination. During the term of this Option, MOA may enter into new contracts or renewals of contracts concerning the RDA Project No. 070103161 respecting any part of Tract A and such contracts will supersede this Option Agreement.

6. Except as hereinafter set forth, the Master Sublease shall operate to transfer to developer/sublessee all of the rights and powers of MOA as sublessor and permittor to such of those leases and permits in effect as of October 1, 1990, which remain in effect on the effective date of the Master Lease and which are selected by the developer/sublessee. Such transfer shall include, without limitation, the right and power to collect rents and terminate leases and permits, and developer/sublessee shall concurrently assume all obligations and duties of MOA as

sublessee thereunder. Developer/sublessee shall hold harmless, defend and indemnify MOA from any and all claims and actions arising from the developer/sublessee's exercise of its rights under this provision and its performance or failure to perform the duties and obligations assumed thereunder. Written notice shall be given to all sublessees and permittees affected by this provision.

7. The termination of any sublease or permit after October 1, 1990, shall not affect the Minimum Rent to be paid MOA pursuant to Paragraph 12 of this Option. No sublease entered into after October 1, 1990, shall be subject to developer/sublessee's election for transfer under paragraph 6 above. The developer/sublessee may negotiate with MOA for the transfer of such subleases, if any, and any consideration to be paid therefor shall be in addition to the Minimum Rent and Percentage Rent, unless otherwise agreed by developer/sublessee and MOA. This provision does not compel MOA to transfer such lease or leases to developer/sublessee.

8. ADEU shall have the following rights and interests under this Option and the subject Master Sublease.

a. The Master Sublease form attached as Exhibit B and this Option have been negotiated for the explicit purpose that

they be included in the RFP to provide essential information to interested entities.

b. This Option commits MOA to the terms set forth herein and as such should expedite negotiations with the developer selected by the Project Committee.

c. The parties acknowledge that it is not anticipated that AEDC will itself exercise the Option and AEDC agrees that it is not entitled to do so. However, it is anticipated and agreed that AEDC shall assign the Option to the developer selected by the Project Committee upon the successful completion of negotiations and that (1) AEDC will receive monetary consideration from the developer/sublessee ultimately chosen which will compensate AEDC for its costs incurred in connection with the project, and (2) AEDC may have a continuing role in the project as may be set forth in the approved development plan. The parties acknowledge that the monetary consideration referred to in subsection (1) above will compensate the AEDC for services and activities beyond those envisioned in the 1990 MOA-AEDC contract for Professional Services.

10. MOA acknowledges and agrees that AEDC has no possessory rights or control over the real property subject to the Lease and this Option and therefore agrees and promises to hold harmless,

defend and indemnify AEDC, its Board of Directors, the members of the AEDC Project Committee, and the officers and employees of AEDC, free from any and all claims which may arise from or in any way be related to the real property subject to the Master Sublease and this Option, including without limitation any and all claims and proceedings concerning environmental damage, pollution or harm. The foregoing indemnity shall not, however, extend to claims arising from preparation and dissemination of the RFP and the selection process, to the extent AEDC participates in the same.

11. Execution of the Development Agreement by AEDC, as limited by paragraph 3 of this option, and the developer shall constitute conditional assignment of this Option and notice of intent to exercise the Option. The Option shall be deemed to be exercised upon approval of the Development Agreement by the Board of Directors of ARRC and Mayor. Notwithstanding any other provision of this Option, the Master Sublease must be specifically approved by the MOA before the MOA is bound thereby. Failure of the parties to obtain approval of the Development Agreement or the Master Sublease, or both, shall constitute failure of condition, voiding the assignment.

12. This Option is effective when it has been duly executed by both parties and shall terminate if not exercised before December 31, 1991.

MUNICIPALITY OF ANCHORAGE

Dated: 11/27/90

Tom Fink
Tom Fink
Mayor of Anchorage

ANCHORAGE ECONOMIC DEVELOPMENT
CORPORATION

Dated: 11/27/90

By: Scott E. Hawkins
Scott Hawkins
President

6:OPTION1-8

REQUEST FOR
PROPOSAL

SECTION 1 - INTRODUCTION

Anchorage, Alaska is celebrating its 75th birthday in 1990, reflecting on the three quarters of a century between its Tent City origins and the city which is now home to half of Alaska's population. In the flatlands around Ship Creek where the original tents were erected, the Alaska Railroad Corp. (ARRC) and the Anchorage Economic Development Corporation (AEDC) are planning for redevelopment of 120 acres of ground. Together they are soliciting private developers to create an integrated mixed-use commercial development using the waterfront and creekside property on the north side of Anchorage's downtown area.

Under agreements with the Alaska Railroad Corporation and the Municipality of Anchorage, the AEDC is soliciting developer proposals for improving the 120 acres of industrial and undeveloped waterfront property along Ship Creek. This competitive process is expected to culminate in a master lease of the property to the developer which best responds to this Request For Proposal.

The AEDC is encouraging major developers to examine the Ship Creek property, to propose specific uses and improvements in the area, and, if selected, to build the improvements. The specific elements of each proposal are expected to vary with each developer. However, studies conducted for the Original Townsite Project near the Chugach dam and for Ship Creek Point suggest that likely uses will be mixed and may include tourism, commer-

cial office and maritime activity and may ultimately involve a gradual expansion of the boundaries of downtown into the Ship Creek basin.

Anchorage has demonstrated an intense interest in and strong support for the Ship Creek redevelopment project. Over \$7 million has been invested in ground improvements in the Municipality's Ship Creek Point project, the western (and seaward) half of the total project area. Voters in 1987 approved a \$7.5 million general obligation bond issue to finance construction of a multi-purpose dock dedicated to cruise ship and other personnel intensive uses. And a 1990 Alaska Legislative grant made \$2.5 million available for site improvements in the project area including road and bridge construction.

Although no specific uses are mandated and developers are encouraged to submit creative proposals, there have been two land use studies conducted in the area over the past three years.

The 1988 Original Townsite Study was based on the premise that the Alaska Railroad's property next to Ship Creek could be used by tenants with a mixture of commercial and tourism interests. Glacier Brewery's planned "brew pub" and the pedestrian bridge across Ship Creek at the Chugach power plant dam exemplify the types of mixed commercial and tourism projects envisioned for the eastern end of the project area.

REQUEST FOR PROPOSAL

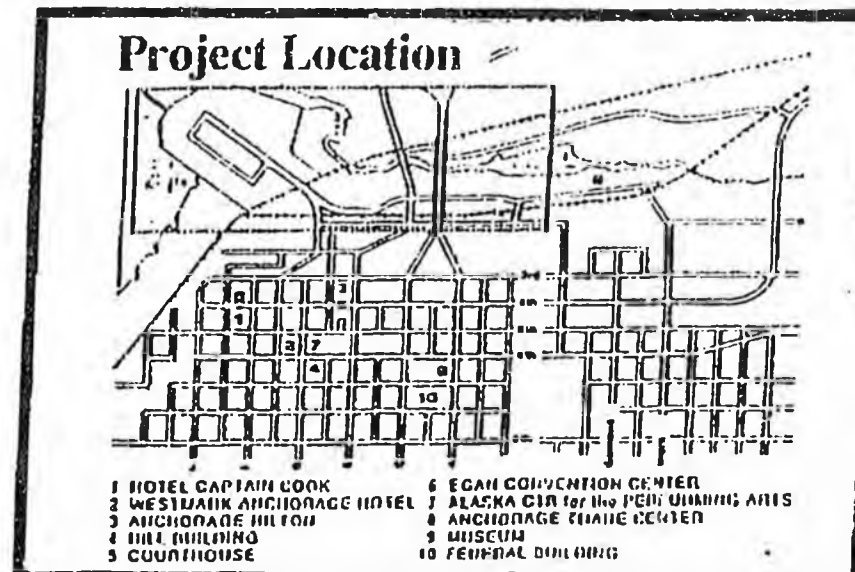
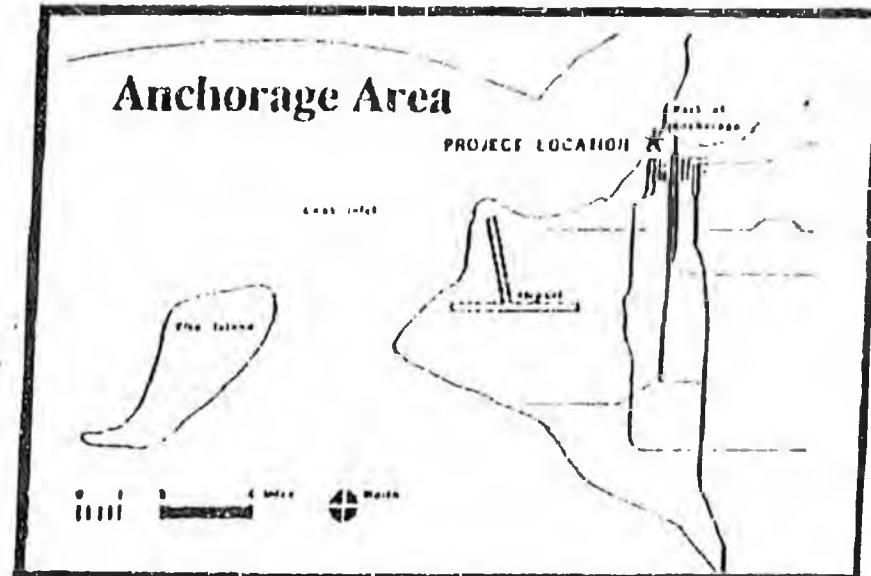
At the west end of the project site, the 1988 Port of Anchorage Ship Creek Concept Plan called for reinforcement of the waterfront site's maritime role and improved public access. The plan suggested phased-in improvements ranging from traditional boat storage facilities to a waterfront hotel, commercial office space and waterfront retail and restaurant concepts.

Urban waterfronts throughout the Lower 48 and in other parts of the world have been redeveloped in response to public interest in enjoying marine activities. Private commercial interests have been able to combine the public interest in waterfront access with commercial and tourism related activities, helping waterfront development pay its way.

The existence of 120 acres of available waterfront property near downtown is an unusual opportunity for a developer familiar with the difficulties of acquiring downtown waterfront parcels. The size of the parcel, its single owner and the desire of the Alaska Railroad and the community to see the property's use mature from industrial to commercial use heighten the project's potential for success. Using Anchorage's remarkable marine environment -- 30 foot tidal range, winter ice, beluga whales, bald eagles and king salmon runs -- imaginative waterfront developers will have ample raw material for creating a tourism destination that will attract local as well as visitor interest.

The developers who submit proposals in response to the AEDC's request for proposals will specify types of economic development projects for installation on the property. Developers

will be allowed ten months to review the project's potential, analyze its feasibility, define their own proposals and to submit their proposals to the AEDC. The process of selecting a master developer is expected to be completed in 1991.



SECTION 2 - PROJECT SUMMARY

The project area is situated along Ship Creek on approximately 120 acres of ground between the Port of Anchorage and downtown. The historic role of the Ship Creek area as the city's first "anchorage," and as the original encampment of settlers and surveyors, gives the site a unique historical significance. However, the 30 foot tidal fluctuations of Cook Inlet and the topographic separation of the site from the downtown have left the property greatly underutilized. A physical and visual barrier between the city and its waterfront exists today along Ship Creek and Cook Inlet.

The property extends downstream on the south (downtown) side of Ship Creek from the Chugach Electric Utility dam to Cook Inlet. Roughly half of the property, 60 acres, is filled and lies upstream from the Municipality's Ship Creek Point project. Only 18.1 acres of the 61.4 acre Ship Creek Point parcel is filled; the balance is undeveloped tidelands.

Applications for filling the tidelands area have been filed and studies initiated to determine which additional tidelands may be filled. The study is to be completed in 1990.

Growing interest in Anchorage's unique waterfront results from four significant factors:

- The national trend toward waterfront involvement and commercial development has captured the imagination of Alaskans who visit other communities;

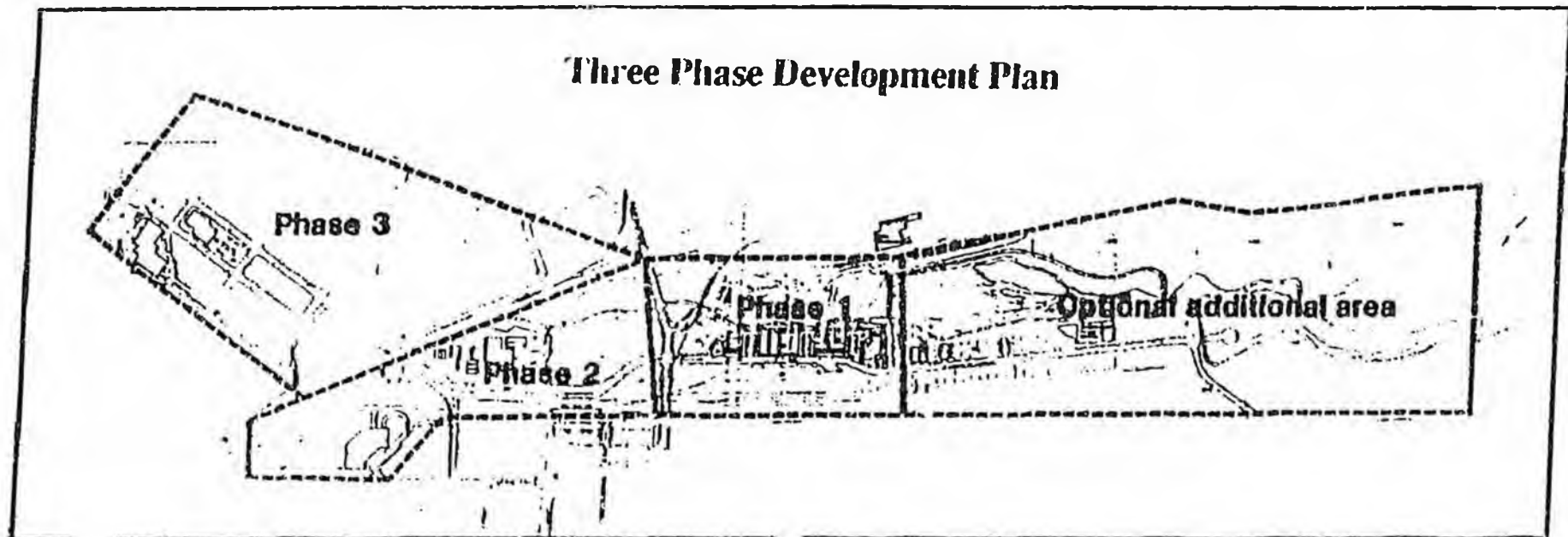
- Anchorage's enthusiastic response to its 13-mile Coastal Trail has ended the community's prior record of virtually ignoring its waterfront;
- The Port of Anchorage in 1988 created public access to Cook Inlet for recreational boating and sightseeing purposes; and
- The Alaska Railroad goal of enhancing real estate revenues by transitioning from industrial to commercial uses of certain properties. This long-term goal is defined in the Ship Creek/Waterfront Land Use Study (Appendix C).

Having served as the center of the city's industry and shipping, the Ship Creek basin is now being examined for its potential contribution to Anchorage's premier growth industries: tourism and recreation. Recent studies by the Municipality, including the Ship Creek Greenbelt Study (Department of Economic Development and Planning, 1988), the Ship Creek Concept Plan (Port of Anchorage, 1988) and the Phase 3 Coastal Trail Design Study Report (Capital Projects Office, 1987) have focused on the recreation and tourism potential of lower Ship Creek. With its proximity to the proposed multi-purpose dock, the Alaska Railroad Passenger Depot, Downtown Anchorage, and the trail network, Ship Creek is in a unique location to support the growth of tourism. Ship Creek basin is underutilized and is ready for a transition.

The property throughout the project area is owned by the Alaska Railroad. Current zoning is for heavy industrial use, but is expected to be rezoned into a new waterfront zoning classification in which commercial activities will gradually replace industrial uses.

A wide variety of uses are envisioned ranging from light industrial to commercial/retail and public open space and recreation. The cornerstone of the Original Townsite Study, the Glacier Brewery, is planned to be a public place for both tourists and residents, with opportunities not only for touring the facility but also for shopping, socializing, and dining. This area of Ship Creek, with the dam and popular fish ladder, is already a successful destination for tourists and residents in spite of its location in the heart of the industrial area.

Current studies seek to address the larger issues of access and development potential, as well as define the types of improvements which could be anticipated to enhance the area. An inclusive process of re-visualizing the area's potential while providing flexibility for expanding maritime needs was undertaken in 1989. The resulting Ship Creek/Waterfront Land Use Study is printed in Appedix C. The Municipal Department of Economic Development & Planning has reflected this study in new land-use maps for the Ship Creek area. Additional recent community planning work has reinforced the area's development potential and laid the necessary groundwork for private development.



Existing Conditions

Property Ownership

The project site is entirely owned by the Alaska Railroad Corporation, a semiautonomous agency of the State of Alaska. Surrounding ground is also owned by the Alaska Railroad. The Municipality of Anchorage's Port of Anchorage acquired a 61.4 acre lease of partially filled tidelands in 1987, which describe the seaward portion of the project area. A few small parcels within the project area have been leased to private concerns. A separate exhibit (Appendix B) describes present project site leases. It also describes in detail the net leasable area within the total project area.

The project area has been used for a variety of storage and industrial purposes over the 75 years it has been in the hands of the Alaska Railroad. While no contamination of the project is known or expected to be discovered, the Master Lease Option will include a section indemnifying the developer from cleanup and restoration expenses by the Alaska Railroad Corporation. The indemnification will apply to the Municipal leasehold prior to Municipal acquisition in 1987 and to the property held exclusively by the Alaska Railroad prior to execution of the Master Lease option.

Project Zones

The total 120 acre project area is divisible into three general zones which the Alaska Railroad has designated as Phases 1, 2 and 3. Phases 1 and 2 are ready for immediate development. They lie in the eastern half of the project area, from the Ship Creek dam westward to the main rail line of the Alaska Railroad. The third zone, Phase 3 of the project, lies west of the Alaska Railroad's tracks and fronts on Cook Inlet. It has been leased to the Municipality for creation of its Ship Creek Point project. This Municipal project will be assimilated into the larger Ship Creek project once a developer for the entire project is selected.

Current Infrastructure

The Phase 1 portion of the project was the beneficiary of a \$2.5 million grant to the Municipality of Anchorage from the Alaska Legislature in 1990. The \$2.5 million is intended to fund extension of Warehouse Avenue to North C Street and realignment of North C Street to a new crossing of Ship Creek at Whitney and Ocean Dock Roads. It also will finance installation of a pedestrian footbridge over Ship Creek across the existing Ship Creek dam. Private interests have already committed to install over \$5 million of improvements in the vicinity of the dam.

The Glacier Brewery will include a brew pub for resident and visitor enjoyment as well as facilities for brewing alcoholic and nonalcoholic beverages. The Alaska Railroad intends to relo-

cate a historic freight shed into the area and convert it to public meeting and exhibit space. Both of these structures will occupy key positions within the larger Ship Creek project area and represent revenue and interest in the project to spur expanded development. The Glacier Brewery lease will not be offered as part of the master lease resulting from this RFP although resourceful respondents may seek to negotiate an agreement with the Glacier Brewery concerns outside the parameters of this document.

The Alaska Railroad's historic depot and headquarters building is the centerpiece of the Phase 2 area of the project. Warehouse Avenue will be extended and pass through the Phase 2 area, connecting with the Phase 3 portion of the project on Cook Inlet. The passenger depot project is offered to proposers as an additive alternative which should be described separately following the guidelines identified in the sections concerning proposal requirements and selection criteria.

Within the Phase 3 area, an 18.1 acre pad with an all-tides boat launch ramp was developed in 1987-88. A boat storage area was created in 1989 and a vessel loading/unloading facility was developed in 1989-90. Using a mix of Port of Anchorage and grant funds, 34.5 kv electric service has been installed and 12 inch water and sewer lines have been constructed into the area. Telephone trunks providing 200 pair capacity are also in place in the Phase 3 area. A marine commercial/industrial facility estimated to cost \$1 million may be constructed on the Phase 3 pad in 1991.

The improvements to the existing pad on the Municipality of Anchorage's Ship Creek Point leasehold are part of a federal Economic Development Administration grant project. The improvements will facilitate marine industrial, commercial, recreational and tourism related uses and provide a distinct activity and atmosphere for the project area. It is the intent of the Municipality to operate the boating facilities of Ship Creek: boat launch, dock, boat storage area, maritime receiving area, and an industrial commercial building. If proposers seek to include the marine-related area within their proposals, an additive alternate proposal must be submitted in the same format as the Alaska Railroad historic depot, summarizing the proposed use in response to each of this RFP's requirements and selection criteria.

Surface Transportation

Major and minor arterials, collectors and service access roads provide access to the entire project area at present. The extension of Warehouse Avenue westward, its proposed conversion into Waterfront Drive to provide access to the Cook Inlet frontage and the realignment of North C Street will improve significantly the traffic flow through the area. In addition, the existing Port Access Road, an elevated four-lane crossing of the project area, generates project area traffic from the north.

Peripheral access is available from Christensen Drive, E Street, Whitney Road, First Avenue and from Eagle Street via First Avenue.

Infrastructure Financing

Provision of additional infrastructure in the vicinity of the project area will be dependent on a variety of factors. Proposals will reflect the nature of improvements proposed by private developers and will be expected to describe the attendant additional infrastructure which the developer proposes for public financing.

ARRC is a tax-exempt entity which enjoys tax-exempt financing benefits. ARRC's ability to obtain tax-exempt financing may or may not be available to the project. The AEDC/ARRC agreement also provides for lease rate reductions based on credits for capital investment in the leasehold.

The Municipality is also committed to including in its annual legislative request funding for infrastructure improvements which are requested by the developer and which conform to the Municipality's interests. Conventional forms of infrastructure financing such as road improvement districts are also available. Finally, \$5.5 million of general obligation bonding authority remains for construction of improvements to the Ship Creek Point area.

Selection Schedule

- Public Information program - June 25 - Aug. 10, 1990
- RFP public comment - Aug. 10 - Oct. 1, 1990
- Distribute RFP - beginning Dec. 10, 1990
- Pre-Proposal Meeting - Feb. 7, 1991.
- Proposal Submittal Deadline - Aug. 1, 1991.
- Proposal Review and Ranking - Aug. 1 - Oct. 1, 1991.
- Contract negotiation - Oct. 1 - Nov. 1, 1991.
- Proposal Recommendation - Nov. 1, 1991.
- Approval of Recommendation - Dec. 1, 1991.

SUPPORT

MUNICIPAL RESOLUTION AR 90-172
ENDORISING PROCESS

Submitted by: Assemblymembers Porter, Flynn
Begich, Campbell, Dyson, Faulkner
Barnett, Evans and Kubitz

Prepared by: Assembly Budget Analyst
For reading: June 19, 1990

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APPROVED
Date: 6-19-90

ANCHORAGE, ALASKA
AR NO. 90-172

11 A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO FACILITATE DEVELOPMENT OF
12 ALASKA RAILROAD PROPERTIES IN THE SHIP CREEK BASIN AND WATERFRONT BY INCLUDING
13 LANDS LEASED BY THE MUNICIPALITY IN A DEVELOPMENT PROCESS INITIATED BY THE ALASKA
14 RAILROAD AND THE ANCHORAGE ECONOMIC DEVELOPMENT CORPORATION AND BY OFFERING
15 CERTAIN MUNICIPAL INCENTIVES

16
17
18 WHEREAS, a consensus has emerged in Anchorage on developing Ship Creek Point and redeveloping the
19 Ship Creek Basin on the south side of Ship Creek for tourism-oriented, pedestrian-friendly uses as described in the
20 Ship Creek Concept Plan and the Original Townsite Study; and

21
22 WHEREAS, the goals of the Ship Creek Concept Plan reinforce the maritime aspects of the site; encourage
23 commercial and recreational development, and enhance public access to the area; and

24
25 WHEREAS, implementing the goals of the Ship Creek Concept Plan and the Original Townsite Study
26 would improve the quality of life for Anchorage residents, especially those in nearby neighborhoods, by improving
27 scenic values in the area and giving residents better access to the Anchorage waterfront; and

28
29 WHEREAS, tourism-oriented investment in the area would improve the number and quality of available
30 visitor attractions in Anchorage enhance Anchorage's appeal as a visitor destination and create new jobs and expand
31 the tax base of the Municipality, generating additional annual tax revenue; and

32
33 WHEREAS, the voters of Anchorage and the Alaska Legislature have committed \$7.5 million and \$2.5
34 million, respectively, to infrastructure development in the area to encourage tourism facilities investment and to
35 provide for resident uses; and

36
37 WHEREAS, the Alaska Railroad and Glacier Brewery have both made commitments to undertake the first
38 tourism-oriented redevelopment in the ship Creek Basin, the "Original Townsite" project which is expected to result
39 in private investments in excess of \$5 million by the end of 1991; and

40
41 WHEREAS, the Municipal Department of Economic Development and Planning has conducted a public land
42 use planning process through its Waterfront Development Task Force and intends to prepare a coastal management
43 "Area Meriting Special Attention (AMSA)" Plan for the Ship Creek Basin to clarify plans and waterfront
44 development permitting; and

45
46 WHEREAS, public and private interest in and plans for the Ship Creek Basin have developed sufficiently
47 to attract private developers through an open solicitation in order to facilitate a long-term schedule of private
48 investment, with a coherent theme and master plan, as well as provide opportunities for local developers to
49 participate in the development; and

50
51 WHEREAS, attracting a qualified private developer may reduce the need for public development funds in
52 the Ship Creek Basin over the long term; and

53
54 WHEREAS, the Alaska Railroad Corp. (ARRC), the owner of the land on the south side of Ship Creek

1 and the lessor to the Municipality of the Ship Creek Point waterfront lands, has entered into an agreement with the
2 Anchorage Economic Development Corp. (AEDC) for the purpose of initiating a request for proposal (RFP) process
3 designed to attract a master developer who is willing and able to create a high-quality, mixed use tourism and
4 commercial development that links downtown Anchorage to the waterfront; and
5

6 WHEREAS, the agreement is contingent upon the Municipality of Anchorage agreeing to make its lease
7 area available for inclusion in the process.
8

9 NOW, THEREFORE, the Anchorage Municipal Assembly resolves:
10

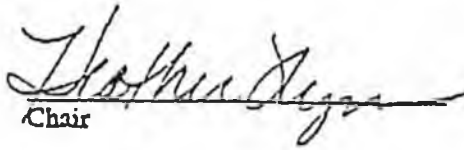
11 Section 1: That the Municipality of Anchorage hereby agrees to participate in the ARRC-AEDC
12 development process with the understanding that it will have the opportunity to review and approve the RFP prior
13 to its issuance and that it will review and approve the development agreement that is negotiated with the successful
14 respondent.
15

16 Section 2: That the Municipality will cooperate in the following ways:
17

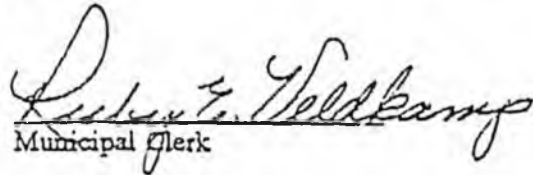
- 18 1. Let a master lease to the successful respondent to the RFP on substantially the same terms and
19 conditions and for the same lease rate through 1996 as the master lease ARRC negotiates with the
20 same successful respondent. In the alternative, and if necessary and prudent, the Municipality is
21 willing to consider renegotiating and/or relinquishing all or parts of its 61.4 acre waterfront lease
22 with ARRC.
23
- 24 2. Provide gravel from the Municipal landfill to the project at no cost, provided that the developer
25 or the contracting agency arranges for excavation and transportation.
26
- 27 3. If necessary and prudent, provide Municipal revenue bonding to the successful respondent to
28 complement ARRC's offer of tax free financing, provided that the proposal meets prudent fiscal
29 guidelines.
30
- 31 4. Provide property tax incentives on those new facilities that are intended to directly serve the
32 visitor market, that do not directly compete with other similar Anchorage businesses, and that
33 meet the other requirements of AO 89-123(S).
34
- 35 5. Include project infrastructure that is identified in the final development agreement in the
36 Municipality's annual C.I.P. request to the Alaska Legislature.
37
- 38 6. Complete the Ship Creek Basin "Area Meriting Special Attention (AMSA)" Plan and submit it to
39 the appropriate State and Federal offices by October 1, 1990.
40
- 41 7. Coordinate waterfront development permit application and implementation activities throughout
42 the AMSA Plan area for public and private applicants, including the successful respondent to the
43 AEDC solicitation.
44

45 Section 3: That the above commitments represent a substantive and long-term commitment by the
46 Municipality to work with ARRC and AEDC to improve the Ship Creek Basin, a process that may ultimately lead
47 to the relocation of a portion of ARRC's Ship Creek railyards to Birchwood and the relocation of the Port of
48 Anchorage to Fire Island.
49

PASSED AND APPROVED by the Anchorage Assembly this 19 day of June, 1990.


Chair

ATTEST:


Municipal Clerk

JGR:eg
DOCB/AR35

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MUNICIPAL RESOLUTION AR 90-282
ENDORISING RFP

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APPROVED
Date: 11-27-90

Submitted by: Chairman of the Assembly
at the Request of the Mayor
Prepared by: Enterprise Activities
For Reading: November 27, 1990

ANCHORAGE, ALASKA
AR NO. 90-282(S-1)

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY APPROVING A REQUEST FOR PROPOSALS TO QUALIFIED WATERFRONT DEVELOPERS FOR THE PURPOSE OF SELECTING A DEVELOPER TO IMPLEMENT A MIXED USE DEVELOPMENT ENCOMPASSING OVER 100 ACRES OF DEVELOPABLE WATERFRONT AND INDUSTRIAL LAND IN THE SHIP CREEK BASIN

WHEREAS, the Municipality of Anchorage has agreed to participate in and encourage the development and redevelopment of lands in the lower Ship Creek Basin for tourism-oriented, pedestrian-friendly commercial and maritime uses; and

WHEREAS, the involvement of the Municipality includes offering a master sublease of its 63.3 acre waterfront lease it currently holds with the Alaska Railroad Corp. (ARRC) in combination with upstream ARRC lands, preparation and submission of an "AMSA" plan; and

WHEREAS, the Anchorage Economic Development Corp. (AEDC) has prepared a "Request for Proposal" (RFP) and has negotiated a master lease option with ARRC pursuant to AR 90-172; and

WHEREAS, the AEDC has negotiated an option agreement with the Municipality; and

WHEREAS, the RFP and associated master lease option has been duly approved by the Board of Directors of ARRC and AEDC.

Then be it Therefore Resolved that the Municipality of Anchorage hereby:

Section 1: Approves for issuance of the revised AEDC Request for Proposals and gives authorization to AEDC to distribute and market same to potential respondents.

Section 2: Agrees to include in its 1991 capital projects request to the Alaska Legislature the sum of \$10 million for tidelands fill and road and bridge access to the project from downtown Anchorage.

3
4
5 Section 3: Agrees to let a sublease to the successful respondent to
6 the RFP on substantially the same terms and conditions described in the
7 option agreement between AEDC and the Municipality.
8

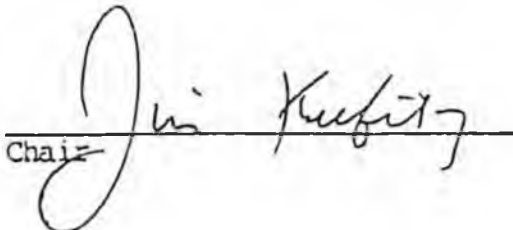
- 9
10 a. The master sublease let by the Municipality must conform to the
11 Municipality's lease agreement with ARRC that applies to Ship
12 Creek waterfront lands, as the lease exist when the master sublease
13 between the Municipality and the developer/lessee is executed.
14
15 b. The "minimum rent" described in Section 4.b(1) of the AEDC - ARRC
16 master lease option agreement shall, with regard to the
17 Municipality's developable waterfront lands, be assessed at the
18 rate of five percent of the established value of the lands. The
19 established value of the filled portion of the leasehold shall be
20 \$3.00 per square foot through 1996. After 1996, the established
21 value will conform with the AEDC - ARRC master lease option
22 agreement and the lease agreement between the Municipality and
23 ARRC, with the latter agreement in the superior position with
24 regard to conflicting provisions, subject to subsection (a) above.
25 "Gross revenue percentage rent" and "additional rent" if due, will
26 be payable to the Municipality of Anchorage in addition to the
27 "minimum rent" described in this Section.
28
29 c. That portion of the master sublease that applies to unfilled tide-
30 lands will be exempt from rent payments through 1996. After 1996,
31 unfilled tidelands will be leased at a "minimum rent" consistent
32 with the fair market value of unfilled tidelands, as determined
33 lawfully by independent appraisal, until such time as the tidelands
34 are filled. For example, if the fair market value of unfilled
35 tidelands is established by independent appraisal to be \$1.00 per
36 square foot, the base lease rate shall be five percent of that
37 amount per year, or \$0.05 per square foot, minus any capital im-
38 provement credits the developer/sublessee may earn.
39
40 d. However, in no event shall the rents paid to the Municipality be
41 less than that required to be paid by the MOA to ARRC under the
42 original lease.
43

44 Section 4: Agrees that notwithstanding any other section of this reso-
45 lution that the Municipality will abide by the terms of the EDA grant and
46 will retain the lands necessary to assure development and maintenance of
47 the boat ramp, boat docks, marine receiving area, storage area, and the
48 new industrial/commercial building. The Municipality will abide by the
49 requirements of Special Condition No. 8 of the EDA grant.

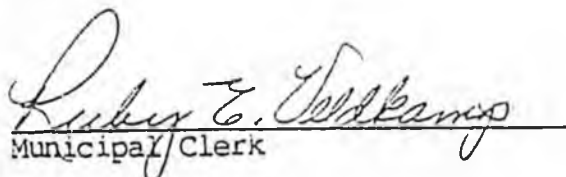
5 Section 5: Agrees that public access to Ship Creek Point be maintained
6 to protect the public's right to open access to navigable waters.
7

8 Section 6: This resolution is effective upon passage and approval.
9

10 PASSED AND APPROVED by the Anchorage Assembly this 27th day of
11 November, 1990.
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16 Chair 
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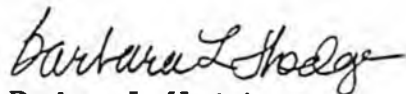
18 ATTEST:

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22 Municipal Clerk
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RESOLUTION

Government Hill Community Council
January 17, 1991

The Government Hill Community Council endorses the Municipality of Anchorage request for \$10.07 million for light industrial and tourism-related improvements to Ship Creek Point, consistent with the Anchorage Economic Development Corporation's request for proposals of December 1990.



Barbara L. Hodgin

President

January 17, 1990

Barbara L. Hodgkin 100 E. Cook Anchorage, Alaska 99501

February 28, 1991

Senator Pat Pourchot
P.O. Box V
Juneau, Alaska 99811

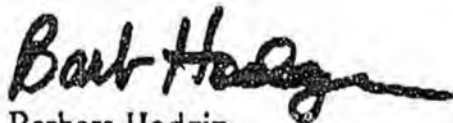
Dear Senator Pourchot.

I'm writing to express my interest in the Ship Creek development, and the Municipality's request for funds for fill, access, utilities and studies of alternatives for environmental mitigation at Ship Creek. I support this phase of Ship Creek redevelopment.

My neighborhood has a keen interest in how that area develops. We continue to hope that as the area evolves, it will focus on light industrial and commercial use. I was dismayed to see the Municipality lose interest in the cruise ship dock at Ship Creek Point. I think the development on the south side of the creek and at the point will ultimately be a good place to extend the coastal trail and provide direct link-up of Government Hill to the city trail system.

Lots of people have ideas about what we should do at the creek. I've heard some pretty loony ideas over the last couple of years. This request seems reasonable and it's a base for future improvement. Thanks.

Sincerely,



Barbara Hodgkin

100 E. Cook
Anchorage, Alaska 99501
272-0168

**South Addition Community Council
Resolution
Feb. 28, 1991.**

WHEREAS the South Addition Community Council has been presented information on the Ship Creek Waterfront Development Project; and

WHEREAS the Ship Creek Project creates an urban waterfront development which complements adjacent neighborhoods and supports a strong downtown commercial core; and

WHEREAS the Anchorage Assembly, neighborhood organizations and individuals throughout the Anchorage area eagerly await the improved waterfront access, activities and amenities which are central to the project; and

WHEREAS Anchorage's Ship Creek Waterfront Development Project will bring to Alaska, to Anchorage and to the center of our community new marine and tourism related business and employment; and

WHEREAS expansion of traditional industrial port activity for the Port of Anchorage is expected to be directed toward undeveloped tidelands adjacent to the Port, freeing the Ship Creek waterfront for personnel intensive waterfront uses; and

WHEREAS the Ship Creek Waterfront Development Project is a cooperative economic development project supported financially and politically by the private sector, the Alaska Railroad, the State of Alaska and the Municipality of Anchorage; and

WHEREAS the Legislature has before it a request for appropriation of \$10.07 million to fund fill, access, utilities and environmental improvements; and

WHEREAS funding improvements to the property will assist in attracting high-quality development proposals designed to expand Alaska's and Anchorage's economic base in tourism and marine-related commerce; and

WHEREAS significant interest in developing the project was shown by numerous substantial developers at the Feb. 7, 1991 pre-proposal conference sponsored by the Anchorage Economic Development Corporation; and

Now, therefore, be it resolved that the South Addition Community Council supports the \$10.07 million appropriation of funds in support of the Ship Creek Waterfront Development Project; and

Further be it resolved that the South Addition Community Council encourages all legislators to support the appropriation in consideration of the employment, marine and tourism expansion and other economic activity the project is expected to attract.

[Handwritten signature and date]
Feb 28 1991

BRENNAN

BRENNAN inc.

PUBLIC RELATIONS COUNSELORS
711 H Street, Suite 620, Anchorage, Alaska 99501
(907) 276-1397. FAX (907) 276-7907

March 5, 1991

The Honorable Pat Pourchot
Alaska State Senate
Box V
Juneau, Alaska 99811

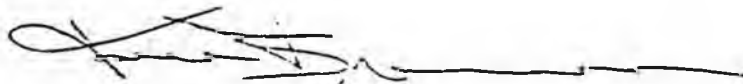
Dear Senator Pat:

I am a new resident of Government Hill, moving to 313 West Harvard Avenue in December after 20 years in Bootleggers Cove and Inlet View. Because of my address change, I have become intensely aware of and interested in the prospects for future use of the Ship Creek and Alaska Railroad industrial area. I am also a member of the Board of Directors of the Anchorage Convention & Visitors Bureau and have a long-standing interest in tourism and the potential that visitors hold for Anchorage and Alaska.

Please support the Ship Creek Project. I can think of nothing that would be more beneficial to the people of our district and the Anchorage public than conversion of the Ship Creek Valley to a tourist and small business area, with limited industrial activity. I have nothing against industry--my own house was one of the railroad cottages built in 1915--but the highest and best use of that area is for tourist, commercial and recreational activities. Right now the railroad and industrial yards divide downtown Anchorage from the port, Government Hill and Elmendorf; if the area were put to its best use it would serve a unifying purpose tying the entire community together.

I walk my dog every day to Brown's Point Park and unfailingly look down on the Creek with the feeling that the Ship Creek area has the same potential as the most delightful tourist areas of Seattle and San Francisco. I realize you face some difficult decisions this year and will only be able to fund projects with the highest priority. Please consider the Ship Creek Project for inclusion on that short list. It would be an investment which will bring great returns and one for which our children and grandchildren will be grateful.

Sincerely,



Tom Brennan

March 4, 1991

Senator Pat Pourchot
PO Box V
Juneau, Alaska 99811

Dear Senator Pourchot,

I'm writing in support of the evolution of the Ship Creek Basin towards a more people friendly place. A legislative appropriation of \$10.07 million to seed this process has been included in Anchorage's 1991 legislative request. I encourage you to carefully review this proposal and find within you the vision of a more kind and gentle downtown.

I have lived in Anchorage for 14 years with the last 5 as a home owner on Government Hill. Like many of my neighbors, I am sensitive to the architectural rhythms of this city. It is very clear to me that the heavy industrial scene that currently exists along Ship Creek limits the viability and human character of all that it adjoins. However, this Development Initiative has the potential to be more than just a cultural water shed. It offers the possibility of a lasting unique contribution to the economy of Anchorage. I strongly endorse this type of Government spending. I will be in Juneau on the 12th of this month with the Civic Action group from my office. I look forward to meeting with you then and to hear your thoughts on this issue.

Sincerely



Stephen Gerlek
816 Colwell Street
Anchorage, Alaska 99501

Downtown Community Council
145 West Sixth Avenue
Anchorage, Alaska 99501

(907) 279-5293



March 5, 1991

Senator Pat Pourchot

Dear Pat,

The Downtown Community Council encourages you to find and appropriate the \$10.07 million requested by the city in its 1991 legislative request package for the Ship Creek Development.

The utilities and access improvements to the site are a necessary and logical next step. It is my hope that the coastal trail will be extended out to the end of the Ship Creek promontory and that this money will also be used to study and implement access from Government Hill to the coastal trail and to further development of bike paths on the Ship Creek "Greenbelt."

Sincerely,

Peter Roberts
Downtown Community Council



Events™

March 1, 1991

To whom it may concern:

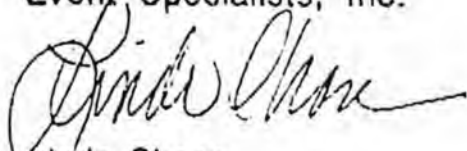
As a member of the Board of Directors of the Downtown Anchorage Association and as a person who lives and works Downtown, I feel the development of the Ship Creek Waterfront project is important for both the economy and the expansion of tourism in Anchorage and Alaska.

The Ship Creek Waterfront Development Project will bring significant benefits to our community. Improved waterfront access, new developments, amenities and tourism, and thus jobs, are just a few of these benefits.

I ask you to support the \$10.07 million appropriation to fund fill, access, utilities and environmental improvements of the Ship Creek Waterfront Development Project. Thank you.

Respectfully yours,

Event Specialists, Inc.



Linda Chase
President

Event Specialists, Inc.
101 EAST THIRD AVENUE
ANCHORAGE, ALASKA 99501 USA
407-276-2187

Suzan Nightingale McKay

Feb. 28, 1991

Dear Senator Paurchot,

I'd like to add my voice in support of the appropriation for Ship Creek Development. Tourism is the real longterm economic future of Alaska, and a waterfront project would pay dividends long after the oil runs out.

A waterfront attraction would also serve as an important anchor for Downtown - witness the heavy use and popularity of our other coastal attraction, the Coastal Trail!

Alaskans, as well as tourists, would enjoy - and benefit from - scenic business activity along the waterfront all year around. This resource has been dormant for too long.

It's interesting to note that yesterday, a ceremony was held in San Francisco. Rather than repair the waterfront Embarcadero Freeway, which was damaged by earthquake in 1990, the city is tearing it down - to enhance waterfront development.

No one knows better than San Franciscans the importance of cultivating and enhancing a city's waterfront. Please encourage your colleagues to support this appropriation - not as a giveaway, but as an investment.

Thank you for your attention to this matter.

Suzan Nightingale McKay

By Scott Hawkins and Catherine Palmer
Anchorage Economic Development Corp.

In the early stages of Alaska's 17th Legislature, the Anchorage Economic Development Corp.'s (AEDC) economic development projects for 1991 appear to have garnered some early bipartisan support. The support comes from both houses of the Legislature as well as from the Hickel administration and the municipality.

This broad, bipartisan support for AEDC's agenda is encouraging in two respects. First, it shows wide recognition of the importance of aggressive but prudent economic expansion initiative. Second, it suggests that Anchorage legislators are more and more cognizant that "areawide" appropriations for economic development project infrastructure will become increasingly important in years ahead. That is, as budgets grow tighter and the need for economic diversification intensifies in the future, areawide appropriations will need to absorb a substantial amount of Anchorage's



Photo by Danny Daniels

Rep. Kay Brown

available capital project monies.

To foster economic diversification in 1991, AEDC has made four requests to the Alaska Legislature. These include three capital projects — Ship Creek basin redevelopment project, Old Seward/East 70th road improvement district (RID) and a proposal for a Glacier/Winner Creek development planning and feasibility analysis — plus a proposal for reform of Alaska's worldwide unitary method of taxation.

Ship Creek Redevelopment

- Goal: To attract a qualified urban waterfront development team to undertake a major tourism-oriented project in the Ship Creek basin.

- Benefits: An estimated investment in the range of \$50 million to \$100 million over five years, and 300 to 500 permanent new jobs.

- Needs: Public infrastructure improvements, including access, tidelands fill, and utilities.

- Proposal: To provide \$10 million of the infrastructure needs with a 1991 appropriation, and the balance in 1992 or later. This will be an essential element of attracting a strong development proposal, and will allow the project to break ground in the 1992 construction season.

Securing a \$10 million areawide appro-



Photo by David Predogor

Sen. Drue Pearce

priation for the Ship Creek redevelopment project is AEDC's top priority. This project is currently number one on the municipality's economic development request list to the Legislature. The project is also supported by members of the Hickel Administration, including the Department of Transportation, the Alaska Railroad Corp., and the Department of Commerce and Economic Development.

In addition, the Ship Creek redevelopment project appears to have bipartisan support in the Legislature. The chairman of the House Rules Committee, Rep. Johnny Ellis, may introduce a special appropriations bill for the Ship Creek basin project in mid-February. Support in the Senate is being led by AEDC board director Sen. Drue Pearce.

Old Seward/East 70th RID

- Goal: To complete a "road improvement district" funding plan that will allow a local seafood processor to gain federal certification to tap new markets.

- Benefits: Estimated investment of about \$2 million, creation of 35 new jobs, improved business climate for several small businesses in the area, and improved road and lighting conditions for residents in the area.

- Needs/Proposal: The total project is



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SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERENCE

DATE: 3/27/91

FURTHER: Finance

Date of 5-Day Notice: 4-14-91
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

L&C Committee considered SB 229

Contingent appropriation to the Dept. of Administration for a grant to the Municipality of Anchorage for the Ship Creek Basin Waterfront Development Project; efd.

and recommended:

replace with _____ CS SB 229 (L+C) same title
 attached amendment(s) new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

[Signature]

OTHER RECOMMENDATIONS:

[Signature] no rec.

[Signature]
Chair. Signature and Recommendation

Alaska State Legislature

Senator Drue Pearce, Chair
Senator Virginia Collins, Vice Chair
Senator Dick Ellason
Senator Rick Halford
Senator Jay Kerttula



WHILE IN JUNEAU
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3844

3111 C STREET, SUITE 150
ANCHORAGE, ALASKA 99504
(907) 561-2018

SENATE LABOR AND COMMERCE COMMITTEE

TO: George Utermohle, Legal Counsel
Legal Services Division

FROM: Rod Mourant, Legislative Aide *Rod*
Senate Labor & Commerce Committee

RE: SB 229

DATE: April 17, 1991

Please develop a committee substitute for SB 229 using version 7-LS1089\A as follows:

Amend Pg. 2, Ln 2 as follows:
following "Ship Creek Basin Waterfront Development Project" delete (to the greatest feasible extent).

Amend Pg. 2, Ln 8 as follows:
following "Economic Development Corporation of" insert enforceable

Amend Pg. 2, Ln. 9 as follows:
Following "that in total" delete (equal or)"

Insert a new Section 4 that reads as follows:
"This appropriation lapses back to the general fund if the Anchorage Economic Development Corporation does not provide documentation of enforceable private sector development commitments by January 1, 1993 for Ship Creek Basin Waterfront Development Project exceeding \$10,070,000."

Re-number Section 4 and amend as follows:
"Sec. __. Subject to the conditions of this act, T(t)he appropriation made by this act is for a capital project and is subject to AS 37.25.020."

George, the amended CS was moved from committee and I will need a final to read across to the next committee of referral at tomorrow morning's floor session. Thank you.

1 (4) that minority-owned and women-owned businesses should be encouraged to
2 participate in and be employed in the Ship Creek Basin Waterfront Development Project to the greatest
3 ~~feasible extent.~~ ↓

4 * Sec. 2. The sum of \$10,070,000 is appropriated from the general fund to the Department of
5 Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for the Ship
6 Creek Basin Waterfront Development Project.

7 * Sec. 3. The appropriation made by this Act is contingent upon approval by the Anchorage
8 Economic Development Corporation of ^{enforceable} private sector development commitments to the Ship Creek Basin
9 Waterfront Development Project that in total [equal or] exceed \$10,070,000.

10 * Sec. 4. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

11 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

New section 4 & renumber

*Sect 4. This appropriation lapses back to the G.F. if
A.E.D.C. does not ~~provide~~ provide documentation of
enforceable private sector development commitments for Ship
Creek Basin Waterfront Development Project exceeding 10,070,000
by Jan. 1, 1993*

*Five within a but were only
going thru \$2 million
or so this year. If they
not see the commitment
they'll be getting commitments
back in that.*

SENATE BILL NO. 229

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS PEARCE, Uehling, Pourchot, Collins, Rodey, Sturgulewski

Introduced: 3/27/91

Referred: L&C, Finance

Funding Information:	General Fund	\$10,070,000
	Other Funds	<u>-0-</u>
		\$10,070,000

A BILL

FOR AN ACT ENTITLED

1 "An Act making a contingent appropriation to the Department of Administration for a
 2 grant to the Municipality of Anchorage for the Ship Creek Basin Waterfront Development
 3 Project; and providing for an effective date."

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

5 * Section 1. FINDINGS. The legislature finds

6 (1) the development of basic infrastructure and improvements on publicly-owned land
 7 is a traditional function of state government;

8 (2) increased tourism offers one of the best economic development opportunities available
 9 to the state;

10 (3) state funding of infrastructure development as part of the Ship Creek Basin Waterfront
 11 Development Project will foster private sector business activities and will enable development of
 12 commercial retail and tourist facilities memorializing the original townsite of Anchorage and showcasing
 13 the return of salmon to Ship Creek;

S B

2 3 0

APR 8 1991

Alaska State Legislature

Chair, Resources Committee
Vice chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees



District A
Ketchikan, Wrangell, Petersburg,
Hyder, Myers Chuck, Kupreanof


Senator Lloyd Jones

P.O. Box V
Juneau, AK 99811
907 465-3743
Fax: 907 465-3922

352 Front Street
Ketchikan, AK 99901
907 225-9082
Fax: 907 225-8546

MEMORANDUM

To: Senator Drue Pearce, Chair
Senate Labor and Commerce Committee

From: Senator Lloyd Jones 

Subj: Request for a Hearing on SB 230

Date: April 3, 1991

Please consider hearing Senate Bill 230, relating to unemployment benefits for employees and employers affected by the Persian Gulf Conflict.

The bill is designed to spread contribution rates of Alaskan employers whose employees were deployed to the Persian Gulf. If the employers did not fill positions vacated by employees who were called to the Persian Gulf their unemployment insurance contribution rates may have increased because of a decline in payroll. This bill allows the state to adjust the rates so that the impact would be shared by all employers across the state.

Additionally, section 2 of the bill helps employees who were deployed to the Persian Gulf by making a one-time adjustment to the base wage used to calculate unemployment insurance benefits. If the employee is laid off their unemployment benefit is based on wages earned in a base period the first four of the last five completed calendar quarters. Under this bill, if the employee served in the Persian Gulf during that base period, their benefits would be calculated on the base period prior to their active duty if their active duty pay was lower than their normal wages.

Attached is a briefing paper regarding SB 230 including scenarios showing examples of how this bill works. A fiscal note from the Department of Labor is forthcoming.

LJ:gmc

Bill No: Senate Bill No. 230

Date: April 29, 1991

Title: "An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf Crisis; and providing an effective date."

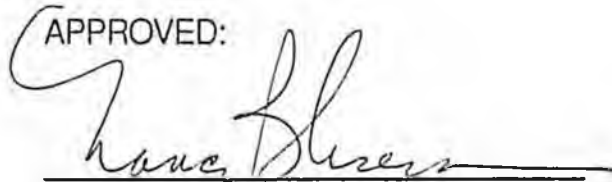
Contact: Judy Knight
465-2712

The provisions of Senate Bill No. 230 are designed to assure that 1) the unemployment insurance contribution rates of Alaskan employers do not increase because of payroll declines attributable to employees being called to active duty in the Persian Gulf and 2) assure that workers unemployment insurance benefits are not diminished because of their service in the Persian Gulf.

Specifically, this bill will enable the Department to make adjustments to an employer's contribution rate if it was affected by one or more employees leaving for active duty, and to make adjustments to an individual's unemployment insurance benefits if the individual's base period wages were reduced because of lower pay received while serving in the military in the Persian Gulf.

The Department supports the provisions of Senate Bill 230. It will not have a fiscal impact on the Department.

APPROVED:



Nancy Bear Usera, Commissioner
Department of Labor

POSITION PAPER/Department of Labor

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO : SB 230

Revision Date: _____
Title: "An Act relating to the payment of unemployment insurance...Persian Gulf crisis..."
Sponsor: Senator Jones
Requestor: Senate Labor & Commerce

Department Affected: Labor
BRU: Employment Security
Component: Unemployment Insurance
COMPONENT SERIAL NO. 329

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

We estimate there are 80 people that would be affected by this bill. The division already has the means to adjust an employer's experience rating and any additional benefits would be paid from the UI Trust Fund. The trust fund would be minimally affected.

Prepared by: Judy Knight, Director Phone: 465-2712
Division: Employment Security Date: 4/4/91

Approved by Commissioner: Nancy Bear Usera Date: 4/4/91
Agency: Department of Labor

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

March 29, 1991

APR 4 1991

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO

P.O. BOX CR
JUNEAU, AK 99811 0203
PHONE (907) 465 4460
FAX (907) 465 3086

701 EAST TUDOR RD. SUITE 240
ANCHORAGE, AK 99503 7445
PHONE (907) 563 5885
FAX (907) 561 6048

Rud

Dear Associate:

The Commissioner of Administration proposes to amend regulations published in Title 2 of the Alaska Administrative Code, dealing with your group health and life insurance. We would like your assistance in posting the public notice. Also, we would like your comments on the proposed changes.

Enclosed is a copy of the public notice and proposed regulations. Written statements or arguments relevant to the proposed actions may be provided to the Director, Division of Retirement and Benefits, P.O. Box CR, Juneau, Alaska 99811-0203.

Comments should be provided by April 25, 1991.

Thank you for your assistance in distributing this notice and we look forward to receiving your comments on the proposed changes.

Sincerely,

Gary M. Bader

Gary M. Bader
Director

GMB/CAJ/pab
8/6/0792469A.wp
Enclosure

Contact: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK
99811-0203, telephone (907) 465-4460, Fax 465-3086

**NOTICE OF PROPOSED CHANGES TO REGULATIONS
STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION**

Notice is given that the Department of Administration under the authority of AS 39.30.090 proposes to adopt regulations in Title 2 of the Alaska Administrative Code dealing with group health and life insurance coverage for certain state employees called to active military service, to implement AS 39.30.090 as follows:

2 AAC 39 is proposed to be amended by adding a new provision for the continuation of state paid group health and life insurance coverage by state employees serving in the military reserve, National Guard, or state militia units who were called to active duty on or after August 1, 1990. The state portion of the cost of this coverage will be paid by the state. Coverage is limited to five consecutive years of active duty or the date of terminations, if sooner. This change is needed to retain coverage at the same cost and level for state employees while on active military duty.

Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau AK 99811-0203, so that they are received no later than April 25, 1991.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK 99811-0203, or by calling (907) 465-4460 or (907) 563-5885 in Anchorage.

The Department of Administration, after the deadline stated above, will either adopt these or other proposals dealing with the same subject matter or decide to take no action on them.

3/20/91
Date

M. Lett Keller
Millett Keller
Commissioner

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERENCE

DATE: 2/27/91

FURTHER: Finance

Date of 5-Day Notice: 4-25-91
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: _____

L&C Committee considered SB 230

Payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf crisis; efd.

and recommended:

- replace with _____ CS _____ same title
- attached amendment(s) new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S):

- | | |
|---|---|
| Department(s)/Date: | Department(s)/Date: |
| <input type="checkbox"/> fiscal note(s) _____ | <input type="checkbox"/> zero fiscal note(s) <u>LABOR</u> |
| _____ | _____ |
| _____ | _____ |
| <input type="checkbox"/> appropriation-no fiscal note | <input type="checkbox"/> Governor's bill w/fiscal note |

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS:

[Signature]
 Chair: Signature and Recommendation

S B

242



Health Insurance Association of America

STATEMENT OF HIAA

ON

SMALL GROUP MARKET REFORM

SENATE BILL 242

PRESENTED BY

JAN ANDREA MEISELS

STATE AFFAIRS ASSOCIATE

BEFORE THE

ALASKA SENATE COMMITTEE ON LABOR AND COMMERCE

April 19, 1991

6052 Hackers Lane
Agoura, California 91301
818-991-6817

I am Jan Andrea Meisels, State Affairs Associate, Health Insurance Association of America. HIAA is a trade association of 300 private health insurance companies which provide health insurance for 95 million Americans. HIAA actively supports SB-242.

The small employer market provides one of the most vivid examples of how health care cost inflation continues to afflict our financing system. Faced with unrelenting demands to hold health care costs down, insurers and employers have intensified the search for ways to moderate premium increases. Leaving high-risk individuals out of group coverage has been one such response. The "excessive employer churning" that newspaper accounts often bring to our attention is largely a function of employers seeking the lowest available rate. We, too, constantly hear the charge by small employers that the presence of a high-risk individual in their group has made it impossible to obtain coverage at any price.

This dynamic is complicated further by the tumultuous labor market of a small employer. Small employers are far more likely than larger organizations to go in and out of business. Our own annual employer survey suggests that employees of small firms also are more likely to change jobs. Employee turnover among small, insured firms is about 23 percent annually and is twice that level for small employers without coverage. These factors contribute to the reluctance of such employers to offer coverage as well as the difficulties of serving the market.

As the complexities of the small employer market have grown, and the likelihood of individuals' being separated from the financing system has increased, there is a growing perception

that even if they have coverage, they stand a reasonable chance of losing it if they change employers, or if they have poor claims experience.

Madam Chairperson and members of the committee, we have now reached the point where substantial small employer market changes are needed if we are to serve the longer-term interests of small employers and meet the concerns of policymakers. SB-242 incorporates a comprehensive set of small group market reforms that HIAA believes can be achieved in the context of a viable private marketplace. The essence of SB-242 is to make certain changes in the market so that it provides substantially more predictability and protection to the purchasers of coverage. Let me emphasize that to work, these changes will have to apply to all players in the small employer market -- insurance companies, medical service plans, multiple employer welfare associations, etc. All competing entities in the small employer market, including non-insured benefit plans, would have to be bound by the same rules in order to prevent any company or segment of the market from being placed at a disadvantage. The reforms included in SB 242 ensures fair access to and continuity of coverage for small employers and their employees. The issues embraced in SB 242 are:

guaranteed availability -- all small employer groups would be able to obtain private health insurance regardless of the health risk they present.

coverage of whole groups -- coverage would be made available to entire employer groups; neither an employer nor an insurer would

be able to exclude from the group's coverage individuals who present high medical risks.

renewability of coverage -- at renewal time, employer groups and/or individuals in these groups would be assured that their coverage would not be cancelled because of deteriorating health. continuity of coverage -- once a person is covered in the small employer market and satisfied a plan's preexisting condition restrictions, he or she would not have to meet those requirements again when changing jobs or when the employer changes carriers. premium pricing limits -- insurance carriers would be required to limit how much their rates could vary for groups similar in geography, demographic composition and plan design.

To give effect to these proposals, SB 242 authorizes a private not-for-profit Small Employer Health Reinsurance Association. Without the Reinsurance Association these reforms are not achievable. The Reinsurance Association allows insurers to pay a premium in exchange for having the reinsurer bear the risk for reinsured individuals. This allows insurers to treat all individuals in a group the same way -- as SB 242 does not break up groups for the purpose of reinsurance -- all members would have the same benefits. The reinsurer stands behind the insurer and simply reimburses for claims associated with reinsured individuals. This allows insurers to spread high risks, broadly through the private market rather than concentrated in one small employer group. S.B. 242 is a carefully crafted balance between carrier disincentives to write the guaranteed issued business, adequate protections for carriers from internalizing too much

risk and ensuring that the losses of the reinsurance program do not grow too large.

Besides the small group market reforms discussed above, one of the most effective means to obtain cost control is to improve our health delivery and financing system through effective managed care programs. Managed care has proved it can control costs. A growing number of studies from the seminal Rand Study of HMOs in the mid 1970's to the recent Laventhol and Horwath study which assessed the cost savings of managed care in the CHAMPUS Reform Initiative (savings to both the Defense Department and CHAMPUS beneficiaries of \$148.9 million in 1988 and 1989). For these and other reasons cost containment provisions including aspects of managed care may be incorporated into the small employer health plans developed by the Small Employer Health Reinsurance Board.

Small employers are also the affected party when various legislatures mandate their plans include specific providers or services. The cumulative effect of the various mandated benefits is to increase the overall cost of the insurance plan to the small employers who is in the most need of relief for the high cost of health care and are too small to self-insure and thus escape these mandates. A study in 1989 by a University of Illinois economist concluded that 16 percent of small employers not providing health insurance would offer benefits in the absence of state mandates. Therefore, SB 242 exempts small employer health plans from any laws that would impose restrictions on insurers negotiating with providers for services

or prices of services or requires the small employer plans to include specific benefits or services rendered by certain providers.

The following is a brief discussion of each section of SB-242:

Section 1. Findings -- describes the need for Alaska to address the issue of the uninsured and to make available to small employers, health insurance with stability and predictability of rate increases as well as guaranteed availability of insurance and coverage continuation.

Section 2. Small Employer Health Reinsurance Association.
21.55.10 -- creates a not-for-profit private legal entity whose membership consists of all insurers in the small employer insurance market -- insurance companies, hospital and medical service corporations, HMOs, and welfare arrangements.

21.55.020 -- describes the Reinsurance Association board composition which assures representation for all types of insurers doing business in the small group market including welfare arrangements and guarantees a majority of seats to insurers in the small group market. The director of insurance serves as an ex-officio member of the board.

21.55.030 -- discusses the various powers of the Association board. This includes the establishment and maintenance of a list of guaranteed issue carriers, those top ten insurers based on total premium volume in the small employer market in Alaska, who are required to accept all applicants from the small employer marketplace. An insurer other than one of the "top ten" may