



## MEMORANDUM

**To:** Board Members  
Alaska Industrial Development and Export Authority (AIDEA)

**From:** John Springsteen  
Executive Director

**Date:** June 25, 2015

**Subject:** Development Project Finance Loan Summary –Blood Bank of Alaska, Inc. (BBA)  
Resolution No. G15-13

### LOAN AND PROJECT DESCRIPTION

**Loan Request** BBA requests an AIDEA development project loan in the amount of up to \$8,500,000 to provide the funds to complete the construction of the new BBA building.

### Loan Summary

Loan Request Summary	
<b>Borrower:</b>	Blood Bank of Alaska, Inc
<b>Amount:</b>	\$ 8,500,000.00
<b>Term:</b>	36.5 Years
<b>Rate:</b>	250 basis points + 30 year US Treasury Rate is Fixed on Board Approval date
<b>Payments:</b>	Interest only on Line of Credit and level pay (P&I) on loan term loan.
<b>Frequency of Payments:</b>	Monthly
<b>Financing Terms:</b>	Fixed Line of Credit (LOC) for 18 months. Term Loan for 35 years
<b>Collateral:</b>	1st Deed of Trust on new facility (30% Loan To Value) 1st Deed of Trust on existing building 1st lien position UCC-1 on all Furniture, Fixture and Equipment
<b>Insurance:</b>	Performance and Payment Bond (listed as additional obligee) AIDEA listed as Mortgagee, loss payable or additional insured on all existing/future policies.
<b>Fees:</b>	Application Fee \$ 5,000.00 Commitment Fee of 1% of commitment accepted (up to \$85,000) Title Insurance Closing Fees (Fees can be reimbursed from loan proceeds)
<b>Prepayment Penalty:</b>	BBA can repay the loan without a prepayment penalty

**Use of Proceeds** Construction of a 57,000 square foot laboratory and collection facility. The BBA has issued the construction contract to Neeser Construction, Inc. in which approximately \$7,000,000 of loan proceeds will fund.

Furniture, Fixture and Equipment (FF&E) Vendors of approximately \$1,500,000. AIDEA is requesting certified draws and will disburse funds directly to vendors for invoices over \$50,000.

**Project Sources and Uses**

<b>Sources and Uses</b>	
<b>Project Use</b>	<b>Budget</b>
Construction	\$33,000,000
Feasibility, Planning & Design	\$3,900,000
Furniture, Fixtures and Equipment	\$2,300,000
Land	\$2,900,000
Other (Management, Permits, Admin)	\$1,550,000
Contingency	\$1,450,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Funding Source</b>	<b>Amount</b>
SOA Grants (2008-2014)	\$33,150,000
Private Funding	\$1,150,000
Corporate Donor	\$2,000,000
Matsu Foundation	\$300,000
AIDEA Loan	\$8,500,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Potential Funding Sources</b>	<b>After Loan Closes</b>
Rasmuson Foundation	\$500,000
Sale of Building	\$2,700,000
Corporate Donor	\$1,000,000
Murdock Foundation	\$725,000
<b>Total:</b>	<b>\$4,925,000</b>

**Economic Development/Job Creation**

Currently an \$11.4 million annual operation statewide with 89 staff, the Blood Bank of Alaska is proposing a new, state-of-the art, 57,000 square foot laboratory and collection facility in Anchorage, Alaska. This will consolidate Anchorage facilities and expand capacity. The project's total development cost is budgeted at \$45.7 million. McDowell Group, an Alaska research and consulting firm, provided an analysis of the economic impact of constructing and operating this new facility.

In summary, over the 16-month construction period, direct employment on the project is expected to average approximately 133 workers earning \$14 million in direct labor income in Alaska. Including indirect and induced impacts, a total of 230 jobs and \$20 million in new labor income in Alaska will be generated from the project's construction. The total economic impact of the direct construction spending, plus project-related indirect and induced spending in Alaska, is expected to total \$66 million.

Once the new facility is fully operational, the new and expanded Blood Bank services are estimated to create 20 new jobs (direct, indirect, and induced), \$1.7 million in total annual labor income, and \$3.5 million annually in overall new economic activity in the Anchorage area.

<b>Construction Phase Employment, Labor Income and Output Effects</b>			
	<b>Employment</b>	<b>Labor Income (millions)</b>	<b>Output (millions)</b>
Direct	133	\$14	\$47
Indirect/Induced	97	\$6	\$19
<b>Total</b>	<b>230</b>	<b>\$20</b>	<b>\$66</b>

Source: McDowell Group estimates.

<b>Economic Impact of Blood Bank of Alaska Expansion</b>			
	<b>Direct</b>	<b>Indirect/Induced</b>	<b>Total</b>
<i>Facility Construction (16 months)</i>			
Employment Impact	133	97	230
Labor Income Impact	\$14 million	\$6 million	\$20 million
Total Economic Impact	\$47.2 million	\$18.8 million	\$66.0 million
<i>Expanded Services Operations (Annual)</i>			
Increased BBAK Employment	11	9	20
Increased BBAK Labor Income	\$1.3 million	\$450,000	\$1.7 million
Increased Annual Activity	\$2.0 million	\$1.5 million	\$3.5 million

Source: McDowell Group estimates.

## **APPLICANT INFORMATION**

### **Company**

Founded in 1962, the Blood Bank of Alaska's primary purpose is to supply blood needs for the sick and injured of Alaska. Blood is provided entirely by volunteer donors throughout the state. As Alaska has grown, so has the demand for available blood products. The first year of operation required only 682 pints of blood while the demand for the current year is projected at over 25,000 units. One reason for this increase is advances in medical and surgical care within the state. The Blood Bank of Alaska is committed to keeping pace with the demands of providing 24-hour service to over 24 Alaskan hospitals spanning over half a million square miles.

In 1995, the Blood Bank of Alaska opened its Mat-Su Center in Wasilla, and in 1999, the Kenai Peninsula Center in Soldotna. Subsequently, their first self-contained mobile collection unit, the “LIFE mobile,” was purchased entirely through community funding. Other expanded services include a blood irradiator, and a state-of-the-art Blood Information System. For the past five years, the Blood Bank of Alaska has placed an emphasis on mobile collections, using both LIFE mobile and portable equipment, which can be set up in churches, schools and offices. To continue the Blood Bank of Alaska’s initiative of increasing blood collections, its services must expand.

The Blood Bank of Alaska is licensed by the Food and Drug Administration (FDA) and is inspected and accredited by the Clinical Lab Improvement Association (CLIA) and the American Association of Blood Banks (AABB). It is also a member of America’s Blood Centers (ABC) and a charter member of the Pacific Northwest Alliance of Blood Banks. The alliance includes: Blood Bank of Alaska, Blood Bank of Hawaii, Inland Northwest Blood Center in Spokane, Washington; Lane Memorial Blood Bank in Eugene, Oregon; and Puget Sound Blood Center in Seattle.

### **Management**

The Blood Bank of Alaska is governed by a volunteer Board of Directors, representing community leaders in various fields such as medicine, business, and civic service. Blood Bank of Alaska recently celebrated its 50th anniversary of serving the healthcare needs of Alaskans.

When the Blood Bank of Alaska was initially founded, the original Board of Directors consisted of ten health care professionals from around the state. In 1975, the board was expanded to include broad community-based representation. Today, there are 13 dedicated members serving on their Board of Directors.

Robert W. Scanlon, MBA, the current Executive Director, began in 2012. Prior to joining BBA he was the Executive Director at the Humphreys Diabetes Center in Boise, Idaho (2005-2012) and was Area Director of Manufacturing for the American Red Cross Biomedical Services in Meridian, Idaho (2001-2005). Experiences at the American Red Cross, where he managed a multi-million dollar capital building project to support the growing expansion of services provided by the region and national organizations, have been instrumental in moving this project forward.

**FINANCE PLAN**

**Evaluation Standards**

CODE CITATION	CRITERIA	DESCRIPTION
[3 AAC 99.560(a)]		
(1)	Whether the application requirements of this chapter have been met	The application and subsequent materials provided by Blood Bank met all the code requirement in 3 AAC 99.500-599
(2)	The project applicant's credit standing	The Blood Bank is a sound non profit and the project financials supported the loan request with projected financials within an acceptable 1.25 debt service coverage.
(3)	The economic and financial viability of the proposed development project	The project will provide for significant economic impact in the form of 230 jobs during construction with \$66 million in direct and indirect labor activity. The expanded operations will add an additional 11 jobs and an additional \$3.5 million in direct and indirect labor activity.
(4)	The impact of the proposed development project on the authority's portfolio of development projects, considering the concentration by industry area, technology, and geographic region and the concentration of financing provided to a single borrower and related obligors with respect to all of the authority's financing programs	The majority of the economic development account consist of resource development projects. This will be the first non profit medical facility added to the portfolio. The loan amount of \$8.5 million will represent 3% of the portfolio.
(5)	Whether and the extent to which the development project financing is consistent with the fulfillment of the authority's purposes under AS 44.88.070 , including the number of temporary and permanent jobs created by the proposed development project	The Project will provide for critical infrastructure to the State of Alaska. The medical facility will allow the blood bank to process the testing of blood in state rather than ship out samples to be processed. The new capabilities will add 11 new jobs with \$660,000 in annual salaries.
(6)	The interests of local governments impacted by the proposed development project	The Municipality of Anchorage issued a letter on October 30, 2014 that states "This facility will greatly enhance the community with disaster relief and emergencies with its capabilities. The Municipality has no other pertinent information or concerns at this time." (See Attached)
(7)	Any other commercially reasonable underwriting criteria the authority, in its discretion, determines to be pertinent to the application, given the terms of the financing or the nature of the project applicant or the proposed development project	The project has a 100% performance and payment bond in which AIDEA will be listed as co-obligee.

**Collateral and Value**

Replacement Cost New was used for the value of the proposed project. Property was discounted by 25% due to the special purpose for which the building was constructed.

<b>Description:</b>	<b>Collateral Information</b>	<b>Source</b>
<b>Site Address:</b>	1215 Airport Heights Road, Anchorage AK 99508	Municipality of Anchorage
<b>Legal Description:</b>	Tract D-1 of PENLAND PARK, according to the official plat thereof, filed under Plat Number 75-83, Records of the Anchorage Recording District, Third Judicial District, State of Alaska.	First American Title
<b>As-built :</b>	Due upon completion of construction	Neeser Construction Schedule
<b>Owner::</b>	Blood Bank of Alaska, Inc.	First American Title
<b>Tax ID:</b>	004-091-16-000	Municipality of Anchorage
<b>Lot Size:</b>	186,232 sqft (4.28 Acres)	Municipality of Anchorage
<b>Building Size:</b>	60,809 sqft	LSI Design
<b>Land Value:</b>	\$2,889,770	Purchase Agreement (May 2012)
<b>Building Value:</b>	\$33,145,207	Neeser Construction Contract
<b>Furniture Fixture &amp; Equipment</b>	\$2,300,000	Cook Inlet Housing Authority (Program/Project Manager)
<b>Total Value:</b>	<b>\$38,334,977</b>	
<b>Zoned:</b>	Commercial Medical Office	Municipality of Anchorage
<b>Taxes:</b>	None (Charitable Exemption)	Municipality of Anchorage
<b>Existing Liens:</b>	None (As of 10/14/2014)	First American Title
<b>Environmental Assessment</b>	No known areas of contamination, the potential for encountering environmental contamination is assumed to be low.	Phase I Environmental Site Assessment: By R & M consultants, Inc. (April 2011)
<b>Total Value:</b>	<b>\$38,334,977</b>	
<b>Adjustments:</b>	<b>(\$9,583,744)</b>	25 % for Special Purpose Building.
<b>Value with Adjustments:</b>	<b>\$28,751,233</b>	
<b>Amount of Loan:</b>	<b>\$8,500,000</b>	
<b>Loan to Value:</b>	<b>22%</b>	
<b>Loan to Value with Adjustments:</b>	<b>30%</b>	
<b>Useful Life of Building</b>	<b>50 Years</b>	Northern Economics (August 2012)

In addition to the collateral above, we are also taking a 1<sup>st</sup> lien position on the existing building at 4000 Laurel Drive, Anchorage AK 99508. A confidential purchase agreement is in place for the purchase price of \$2,750,000.00. This lien will be released once purchase agreement is executed, proceeds from the sale will pay down our loan.

### **Financial Information**

Specific confidential financial information will be provided to Board members under separate cover.

### **Environmental**

Phase I Environmental Site Assessment by (R & M Consultants, Inc.) revealed no evidence of recognized environmental conditions.

### **Related Debt -None**

### **Risk**

- Nonprofit with no guarantees.
- 7-Year forbearance from foreclosure (satisfies New Markets Tax Credit (NMTC) structure if needed).
- Future technologies minimizing blood usage.
- NMTC recapture.
- Unconventional start of project without all sources of funding secured.

### **Mitigation**

- BBA has sourced 81% of the project cost through fundraising and grants.
- Very low loan to value at 30%.
- Projected cash flow to support long-term loan.
- Proven Management (Board of Directors and Executive Director).
- Majority of funds (\$33,150,000) came from State of Alaska appropriations. The State insisted the BBA to begin using the funds allocated.

### **Conditions**

- BBA or Third Party Pro-forma certification.
- Corporate Donor Commitment Letter of at least \$1 million.
- Verified funding sources from State of Alaska of \$33,150,000.
- Verified funding sources from private funding of \$1,150,000.
- All funding sources need to be accounted for if loan changes.
- Maximum loan to value not to exceed 75%.
- Newly formed borrowing entity documentation (Articles of Incorporation, By-Laws and Business License) if NMTC allocations are received.
- Corporate resolution to borrow.

### **Loan Covenants**

Significant loan covenants include:

- Audited financial statements are to be provided annually by the borrower and co-borrower.
- 1.25 Debt Service Ratio requirement.
- Negative Covenant: Approval of any new debt or lease agreement from AIDEA.

### **Recommendation**

The staff recommends approval of this development project loan. The Blood Bank of Alaska is the sole blood bank in the state and is an integral part of the state's emergency preparedness network and critical infrastructure (essential facility) in times of natural disasters. The flexibility given by AIDEA's financing terms allow for the potential for NMTC to be incorporated in the future.

### **Attachments**

BBA Final Term Sheet May 2015  
Municipality of Anchorage Letter October 30, 2014  
AIDEA Project Finance Committee Approval



**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. G15-13**

**RESOLUTION OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY  
AUTHORIZING DEVELOPMENT FINANCE LOAN TO  
THE BLOOD BANK OF ALASKA, INC.**

**WHEREAS**, Blood Bank of Alaska, Inc. has filed an application with the Alaska Industrial Development and Export Authority (the “Authority”) requesting that the Authority provide a development project finance loan (the “Loan”) under the Authority’s development project financing (AS 44.88.172 et seq.);

**WHEREAS**, the nature, purpose and terms of the Loan and the Authority’s financing are described in the memorandum from Authority staff attached;

**WHEREAS**, staff of the Authority has provided a proposed finance plan and recommended approval of the Loan, subject to certain conditions, as described in the Memorandum;

**WHEREAS**, the Authority’s Loan is consistent with all requirements for such financing provided in AS 44.88.172 et seq. and the applicable regulations of the Authority related to such development project financing provided in 3 AAC 99.500 - 99.599;

**WHEREAS**, the Authority has consulted with and solicited the advice of the local government for the location where the facilities being financed , specifically the Municipality of Anchorage;

**WHEREAS**, the dollar amount of the requested loan is \$8,500,000;

**WHEREAS**, the Loan is eligible for financing under the Authority’s development finance program (AS 44.88.172) because the borrower’s facility meets the definition of a “development project” under AS 44.88.900(6) and (13)(A) in that the facility constitutes a “plant” or “facility” that will be used in connection with preparing, transporting or producing goods, products or substances;

**WHEREAS**, it is in the best interest of the Authority and in furtherance of its statutory purposes that the Authority provide the Loan, subject to conditions recommended by staff as described in the Memorandum.

**NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:**

Section 1. The Authority's Loan and finance plan as described in the Memorandum are approved, subject to the conditions recommended by staff as set forth in the Memorandum. The Executive Director is authorized to approve such non-material changes in the terms and conditions of the Loan as the Executive Director, in his discretion, determines appropriate.

Section 2. The Executive Director of the Authority and the Deputy Director-Infrastructure Development of the Authority are authorized to take such actions as may be necessary or convenient to consummate the Loan including, without limitation, issuing a loan commitment.

Section 3. Upon execution of the Loan documents and satisfaction of the conditions, the Executive Director is authorized to disburse up to \$8,500,000 from the Economic Development Account to fund the Loan, and the Executive Director is authorized to pay the Authority's transaction costs incurred in connection with the Loan (including the cost of the Authority's own employees) from the Economic Development Account, whether the same are incurred prior to or after the date of this Resolution.

DATED at Anchorage, Alaska on this 25<sup>th</sup> day of June, 2015.

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Chair

(S E A L)  
A T T E S T

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Secretary

Final Term Sheet May 2015

Blood Bank of Alaska, INC (BBA)

Loan Purpose:

To Finance the completion of constructing a New Blood Bank Facility and provide long term financing.

Terms and Conditions:

1. Borrower:	Blood Bank of Alaska (BBA), INC or To Be Determined (If New Market Tax Credit (NMTC) allocations are received after board approval)
2. Guarantor:	Blood Bank of Alaska, INC (If NMTC allocations are received after board approval)
3. Lender	Alaska Industrial Development and Export Authority (AIDEA)
4. Project Location:	1215 Airport Heights Road Anchorage AK 99508
5. Loan Amount:	Up to \$ 8,500,000
6. Financing Terms:	<p><b>PHASE 1:</b></p> <ul style="list-style-type: none"> <li>• Fixed Line of Credit (LOC) up to \$8,500,000**</li> <li>• Rate is fixed at 250 Basis points + 30 Year US Treasury rate at date of Commitment Letter acceptance (estimate of 5.50% as of April 30, 2015)</li> <li>• Interest Rate Fixed for 18 term of LOC</li> <li>• LOC term is 18 Months</li> <li>• Payments during LOC term are monthly and Interest Only based on drawn amount</li> <li>• LOC automatically converts to a Term Note at end of LOC term</li> </ul> <p><b>PHASE 2:</b> Term Note up to \$8,500,000 **</p> <ul style="list-style-type: none"> <li>• 35 Year Term (Fully Amortizing)</li> <li>• Interest Rate will be the same as Fixed Line of Credit</li> <li>• Monthly required payments</li> </ul> <p>** 7 year Forbearance (to comply with NMTC structure if allocations are received) 2016-2023 No Prepayment Penalty to both Phase 1 and 2.</p>
7. Collateral:	<p>Real Estate:</p> <p>A) 1<sup>st</sup> Lien Deed of Trust on proposed project site (to include “fixture filing” as defined in Alaska Uniform Commercial Code (AS 45.29.102(a)(49)); it covers goods that are or are to become fixtures.</p> <p>B) 1<sup>st</sup> Lien Deed of Trust on existing building. (Lien would be released concurrent with purchase contract execution and proceeds to pay down AIDEA LOC loan (Amount is net of closing cost paid by seller and agreed to purchase price) received at closing.</p> <p><u>Equipment:</u> Senior Lien secured by a Uniform Commercial Code (UCC)-1 Financial statement filing on all Furniture, Fixtures, and Equipment (FF&amp;E). Lien will be further perfected by direct lender payment from loan proceeds of any equipment greater than \$50,000</p>

	Subject to NMTC structure and potential NMTC loan (lender can subordinate equipment for NMTC loan)
8. Financing Details:	<ul style="list-style-type: none"> <li>A) Approximately \$7,000,000 in finalizing design, construction and construction-related cost.</li> <li>B) Approximately \$1,500,000 in furniture fixture and equipment</li> </ul>
9. Funding	<ul style="list-style-type: none"> <li>A) First Draw available on or after July 1, 2015</li> <li>B) First Draw is to be after all other available funds of \$36,550,000 are expended, with the exception of funds expressly reserved for FF&amp;E not yet purchased (BBA must provide documentation satisfactory to the Authority)</li> <li>C) Draws based on invoices from construction contractor or other project vendors.</li> <li>D) Requires monthly progress reporting.</li> <li>E) Certified draws to be paid not more frequently than monthly during the LOC loan period</li> <li>F) Invoices for equipment greater than \$50,000 require direct payment to vendor.</li> </ul>
10. Conditions:	<ul style="list-style-type: none"> <li>A) Borrower satisfies all requirements for NMTC structure (If NMTC are allocated)</li> <li>B) NMTC commitment (if NMTC are allocated)</li> <li>C) BBA or Third Party Pro-forma certification due May 13<sup>th</sup>, 2015.</li> <li>D) Verified Corporate Donor sources \$2,000,000</li> <li>E) Verified funding sources of \$33,150,000 State of Alaska</li> <li>F) Verified funding sources of \$1,150,000 from private funding</li> <li>G) All Funding sources need to be accounted for if loan amount changes.</li> <li>H) Maximum Loan to Value of 75%</li> <li>I) If Borrower is a newly formed entity, formation documents are needed (i.e., Articles of Incorporation, By-Laws, and Business License)</li> <li>J) Listed as Additional Oblige on performance and payment bond (Document A312)</li> </ul>
11. Schedule	<ul style="list-style-type: none"> <li>A) Receive all requested Items and final term sheet by close of business day May 14, 2015 to meet May 28, 2015 Board Meeting.</li> <li>B) Present Finance Plan/Presentation May 28<sup>th</sup> Board Meeting Approval.</li> <li>C) Close Fixed Line of Credit on or before June 15, 2015</li> </ul>
12. Covenants	<ul style="list-style-type: none"> <li>A) Borrower to maintain 1.25 Debt Service Ratio Requirement (EBITDA/Interest + Current Maturities of Long-Term Debt)</li> <li>B) Borrower to provide Audited Financial Statements Annually within 180 days of Fiscal Year.</li> <li>C) Borrower to receive approval from lender prior to applying and/or incurring any additional debt or lease obligations.</li> <li>D) Borrower to provide the Authority with all change orders related to the construction within 15 days.</li> <li>E) The Authority reserves the right to inspect the premises at any</li> </ul>

	time during the fixed line of credit and term note periods.
13. Insurance	<p>Standard Mortgagee Clause (SMC) to be added to each below:</p> <p>A) Builders Risk Certificate (\$30,970,119) (AIDEA shall be listed as additional insured on builders policy and BBA insurance policy prior to funding draws)</p> <p>B) Property Insurance with lender approved provider (within 30 days) of construction completion, with coverage amount equal to cost of Construction + replacement at current value of all equipment.</p> <p>C) AIDEA to be listed as (“loss payable” or additional insured) on all BBA’s existing insurance policies.</p>
14. Fees	<p>A) Non-refundable Application of \$5,000.00 (Received)</p> <p>B) Commitment Fee of 1% of principal loan amount requested at time of commitment letter acceptance. (Due upon signed commitment letter, may be reimbursed at closing)</p> <p>C) Title Insurance (ALTA Standard Loan Policy)</p> <p>D) Loan Documentation, Recording and Misc. cost (Est \$2,000)</p> <p>E) Actual Attorney Fees</p> <p>F) Fees above can be reimbursed from loan proceeds and capitalized</p>
15. Default	<p>A) 7 Year Forbearance period for NMTC</p> <p>B) During default Interest + Principal accrue to the size of the loan</p>
16. Indemnification:	A) The Authority shall be indemnified from all incidents related to construction and maintenance of the building.
17. Disclosures:	This is not an offer, approval or commitment to lend.

# MUNICIPALITY OF ANCHORAGE



Office of the Municipal Manager

Phone: 907-343-7110

FAX: 907-343-7140

*Mayor Dan Sullivan*

October 30, 2014

Mark Davis  
Chief Infrastructure Development Officer  
Alaska Industrial Export and Development Authority  
813 West Northern Lights Boulevard  
Anchorage, AK 99503

Re: Your letter of October 20, 2014 and the request for review advice concerning the proposed development project financing of the new facility for Blood Bank of Alaska, Inc.

Dear Mr. Davis:

The Municipality permitted the construction of the building located on the property described in the legal description:

Tract D-1 of PENLAND PARK, according to the official plat thereof, filed under Plat Number 75-83, Records of the Anchorage Recording District, Third Judicial District, State of Alaska.

The property is located at 1215 Airport Heights Road, Anchorage Alaska 99508 and the Tax ID number is 004-091-16-000. The building's design and construction is in compliance with the Municipality of Anchorage building codes and meets the International Building Code as well as the zoning codes. The permit number for the structure is C13-1023 and the structure is presently in the inspections stage of construction.

This facility will greatly enhance the community with disaster relief and emergencies with its capabilities. The Municipality has no other pertinent information or concerns at this time.

Best regards,



George J. Vakalis  
Municipal Manager



FINANCE PLAN AND LOAN PRESENTATION  
BLOOD BANK OF ALASKA

June 6, 2015  
Final

BLOOD BANK OF ALASKA





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3. Preliminary Planning/Feasibility Study (Hankinson & Short, November 2008)
4. Economic Impact Assessment (McDowell Group, April 2014)
5. New Markets Tax Credits Program Summary (SB Friedman Development Advisors 2014)
6. Insurances and Bonds

# FINANCE PLAN AND LOAN PRESENTATION

BLOOD BANK OF ALASKA

## EXECUTIVE SUMMARY

### Project Description

The Blood Bank of Alaska (BBA) plans to relocate to a new, larger 57,000 square foot facility east of Alaska Regional Hospital, on the corner of Airport Heights Drive and Debar Road in East Anchorage. The site address is 1215 Airport Heights Road, Anchorage AK 99508.



Figure ES-1. Rendering of New Blood Bank Facility

BBA purchased the new site at which to consolidate and relocate all services currently located at Laurel Street, Greenwood, and the office on Lake Otis as well as stem cell collection space at a nearby surgery center. It is designed to accommodate future space needs, including expanded blood bank services. By keeping all BBA functions under one roof, communication between functional areas is expected to improve; common areas such as training rooms, lunchrooms and break rooms will be available to all staff; supply distribution and work processes will be more efficient; and duplication of functions and spaces will be minimized (Hankinson and Short, 2008). Consolidating the main office and three leased spaces in Anchorage into a single facility will also result in decreased staff travel time between multiple offices. Blood taken at mobile drives will be delivered directly to the new facility where the mobile coaches will be housed, instead of having to



Source: Northern Economics, Inc. using Google Maps, image dated 1996

Figure ES-2. Aerial view of Project Site of New Blood Bank Facility

make side trips to deliver blood to the existing building before driving to a separate garage space. The new consolidated facility will also allow BBA to vacate three leased spaces in Anchorage which will result in significant savings. Unlike its existing aged building, the new facility is being constructed to “essential facility” standards insuring the blood bank will be able to function and provide blood and blood products statewide in the event of a natural disaster. The new facility will also be constructed to current FDA and other Operational regulations not in effect at the time its existing facility was constructed, insuring a safe, pure and potent blood supply. And, in-state testing and lab capabilities at the new building will allow BBA and the state to be less dependent on sending blood samples out-of-state for lab analysis.

### Construction Information

PROJECT SCHEDULE	
MILESTONE	APPROXIMATE DATE(S)
Excavate for Canopy Foundations	April 2015
Backfill Canopy Foundations	April 2015
Excavate Retaining Wall, Generator & Fuel Storage Pads	April 2015
Form, Install Rebar, Pour/Strip Canopy Foundations	April 2015
Install Remainder of Storm Drain & Misc Utilities	May 2015
Erect Canopy Steel & Metal Decking (4 ea)	May 2015
Form, Install Rebar, Pour/Strip Retaining Wall at NE Building	May 2015
Grade, Form, Pour Emergency Generator, Fuel Storage Pads	May 2015
Set Emergency Generator & Fuel Tanks	June 2015
Install Site Bollards	May 2015
Canopy Roofing	June 2015
Final Site Grading	June 2015
Install Curb & Gutter	June 2015
Install Sidewalks (Including Snowmelt Area)	July 2015
Site Paving	August 2015
Parking Lot Striping	August 2015
Site Signage Including Monument Signs	August 2015
Landscaping	August 2015
Substantial Completion	October 2015
Move-In	February 2016

Table ES-1. Milestone Construction Schedule for Blood Bank of Alaska Facility Project

## Proposed Loan

The Blood Bank of Alaska, Inc. (BBA) submitted a preliminary project application on September 19, 2014 for a loan up to \$7,000,000. The initial request was to finance the gap in funding to complete the construction and secure approximately \$1,700,000 in a New Markets Tax Credits (NMTC) subsidy. The suitability committee approved the project to move forward on September 24, 2014. BBA ultimately did not move forward with the NMTC deal and requested that AIDEA postpone its loan request until such time as BBA was prepared to move forward.

BBA re-approached AIDEA in March 2015, and indicated it was now prepared to formally move forward with its loan request in the amount of \$8.5 million. While NMTC are not currently secured, BBA is working with Alaska Growth Capital and other Community Development Entities (CDEs) and NMTC investors to position itself for an allocation once the U.S. Treasury issues its notice of award projected early this summer. If BBA is not successful in securing NMTC, BBA’s development department and capital campaign committee will continue their efforts to raise funds from private sources and foundations. Although BBA has a large and dedicated donor base, the donations have historically been made in blood. BBA is initiating a fundraising model to leverage its donor base and life-saving mission to help raise donations on an annual basis.

Loan Request Summary	
<b>Borrower:</b>	Blood Bank of Alaska, Inc
<b>Amount:</b>	\$ 8,500,000.00
<b>Term:</b>	36.5 Years
<b>Rate:</b>	250 basis points + 30 year US Treasury Rate is Fixed on Board Approval date
<b>Payments:</b>	Interest only on Line of Credit and level pay (P&I) on loan term loan.
<b>Frequency of Payments:</b>	Monthly
<b>Financing Terms:</b>	Fixed Line of Credit (LOC) for 18 months. Term Loan for 35 years
<b>Collateral:</b>	1st Deed of Trust on new facility (30% Loan To Value) 1st Deed of Trust on existing building 1st lien position UCC-1 on all Furniture, Fixture and Equipment
<b>Insurance:</b>	Performance and Payment Bond (listed as additional obligee) AIDEA listed as Mortgagee, loss payable or additional insured on all existing/future policies.
<b>Fees:</b>	Application Fee \$ 5,000.00 Commitment Fee of 1% of commitment accepted (up to \$85,000) Title Insurance Closing Fees (Fees can be reimbursed from loan proceeds)
<b>Prepayment Penalty:</b>	BBA can repay the loan without a prepayment.

Table ES-2. Loan Request Summary

The increase in the loan amount from \$7 million to \$8.5 million is due to anticipated funding sources not materializing, and/or not available at the time of anticipated loan approval. This is necessary to complete the project and facilitate the BBA transition into the new building. BBA anticipates securing and/or receiving almost \$5 million in additional funds from other foundations and the sale of its existing Laurel Street building after loan approval. These funding sources are projected to pay down the loan as funds are raised or collected. BBA has provided pro-formas and operating revenues that are sufficient to cover the total debt payments on the \$8.5 million loan with at least 1.25 debt service coverage in all years projected. See Table 8 on page 16 of this report.

<b>Sources and Uses</b>	
<b>Project Use</b>	<b>Budget</b>
Construction	\$33,000,000
Feasibility, Planning & Design	\$3,900,000
Furniture, Fixtures and Equipment	\$2,300,000
Land	\$2,900,000
Other (Management, Permits, Admin)	\$1,550,000
Contingency	\$1,450,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Funding Source</b>	<b>Amount</b>
SOA Grants (2008-2014)	\$33,150,000
Private Funding	\$1,150,000
Corporate Donor	\$2,000,000
Matsu Foundation	\$300,000
AIDEA Loan	\$8,500,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Potential Funding Sources</b>	<b>After Loan Closes</b>
Rasmuson Foundation	\$500,000
Sale of Building	\$2,700,000
Corporate Donor	\$1,000,000
Murdock Foundation	\$725,000
<b>Total:</b>	<b>\$4,925,000</b>

Table ES-3. BBA Sources and Uses

## Economic Impact

Currently an \$11.4 million annual operation statewide with 89 staff, the Blood Bank of Alaska is proposing a new, state-of-the art, 57,000 square foot laboratory and collection facility in Anchorage, Alaska. This will consolidate Anchorage facilities and expand capacity. McDowell Group, an Alaska research and consulting firm, provided an analysis of the economic impact of constructing and operating this new facility.

In summary, over the 16-month construction period, direct employment on the project is expected to average approximately 133 workers earning \$14 million in direct labor income in Alaska. Including indirect and induced impacts, a total of 230 jobs and \$20 million in new labor income in Alaska will be generated from the project’s construction. The total economic impact of the direct construction spending, plus project-related indirect and induced spending in Alaska, is expected to total \$66 million.

Once the new facility is fully operational, the new and expanded Blood Bank services are estimated to create 20 new jobs (direct, indirect, and induced), \$1.7 million in total annual labor income, and \$3.5 million annually in overall new economic activity in the Anchorage area.

<b>Construction Phase Employment, Labor Income and Output Effects</b>			
	<b>Employment</b>	<b>Labor Income (millions)</b>	<b>Output (millions)</b>
Direct	133	\$14	\$47
Indirect/Induced	97	\$6	\$19
<b>Total</b>	<b>230</b>	<b>\$20</b>	<b>\$66</b>

Source: McDowell Group estimates.

<b>Economic Impact of Blood Bank of Alaska Expansion</b>			
	<b>Direct</b>	<b>Indirect/Induced</b>	<b>Total</b>
<i>Facility Construction (16 months)</i>			
Employment Impact	133	97	230
Labor Income Impact	\$14 million	\$6 million	\$20 million
<b>Total Economic Impact</b>	<b>\$47.2 million</b>	<b>\$18.8 million</b>	<b>\$66.0 million</b>
<i>Expanded Services Operations (Annual)</i>			
Increased BBAK Employment	11	9	20
Increased BBAK Labor Income	\$1.3 million	\$450,000	\$1.7 million
<b>Increased Annual Activity</b>	<b>\$2.0 million</b>	<b>\$1.5 million</b>	<b>\$3.5 million</b>

Source: McDowell Group estimates.

Table ES-4. Economic Impact of Blood Bank Alaska Expansion to Labor Market.



## Borrower Information

The Blood Bank of Alaska (BBA) was recognized as tax exempt under section 501 (c) (3) of the Internal Revenue Code in a determination letter issued in November 1963. The BBA, established over 50 years ago in Anchorage, operates as a non-profit, mission-oriented organization. BBA provides blood and blood products to more than twenty hospitals and clinics throughout Alaska, from Kotzebue to Sitka. It is the only blood bank in the state and over the past 30 years, its volume of activity has grown to the point where current facilities cannot meet future operations.

The Blood Bank of Alaska is governed by a volunteer Board of Directors, representing community leaders in various fields such as medicine, business, and civic service. Blood Bank of Alaska recently celebrated its 50th anniversary of serving the healthcare needs of Alaskans. When the Blood Bank of Alaska was initially founded, the original Board of Directors consisted of ten health care professionals from around the state. In 1975, the board was expanded to include broad community – based representation. Today, there are 16 dedicated members serving on BBA Board of Directors.

Robert W. Scanlon, MBA is BBA's current Chief Executive Officer. He joined BBA in this capacity in 2012. Prior to joining BBA he was the Executive Director at the Humphreys Diabetes Center in Boise, Idaho from (2005-2012) and was Area Director of Manufacturing for the American Red Cross Biomedical Services in Meridian, Idaho (2001-2005). Mr. Scanlon's experience at the American Red Cross, where he managed a multi-million dollar capital building project, supported the expansion of services provided by the regional and national organization to meet or exceed customer needs. This included the world's largest blood processing and distribution facility at that time.



## Risk Mitigation

RISK	MITIGATION
Not for profit	The BBA is a non profit that generates revenues through the sale of blood products and has been in business for over 50 years.
Doubling in size/unproven capacity	The BBA has been managing several different lease sites and has adapted to the growing needs of customers. If necessary or desired, portions of building could be subleased to other medical groups.
Competition	The BBA has several long standing relationships and is constantly evaluating product cost to keep blood products competitively priced. The entry barrier for a new blood bank in state would be challenging.
State of Alaska economy and population	The long term of the loan provides cushion should demand for blood products decline. The BBA also plans on continued fundraising to pay off the project.
Potential (forebearance for 7 years)	The low loan to value of 30% provides coverage for a potential default in the 7 year time frame.
Potential (NMTC recapture)	The loan amount covers the cost to complete the project. Any additional funds raised (including potential NMTC) would pay down the our loan and provide enough collateral in the event of recapture.

Table ES-5. Analysis of potential risks and mitigations.

Blood Bank of Alaska	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Emergency Preparedness Infrastructure</li> <li>• Meets new regulations</li> <li>• Only Blood Bank in Alaska</li> <li>• Consolidation of locations</li> <li>• Equity in project</li> <li>• Low Loan to Value 30%</li> <li>• Cash Flow consistent</li> <li>• Economic Development</li> <li>• Jobs</li> <li>• Lives Saved</li> <li>• Significant state appropriation investment in the new building</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Not for Profit</li> <li>• Doubling in size</li> <li>• Unproven Capacity</li> <li>• Delay of testing blood in state</li> <li>• Construction began with funding sources not secured</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Additional efficiencies</li> <li>• New Services</li> <li>• New Blood Products</li> <li>• Training and collaboration with Alaska Regional and other medical facilities</li> <li>• In-State testing</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Future technologies minimizing blood usage</li> <li>• State of Alaska economy and population</li> <li>• Competition</li> <li>• Forbearance for 7 years</li> <li>• New Market Tax Credit recapture</li> </ul>

Table ES-6. Analysis of project strengths, weaknesses, opportunities, and threats.

## Summary

The staff recommends approval of this development project loan. The loan will facilitate completion of much needed infrastructure to support the state of Alaska’s emergency preparedness plan. The flexibility given by AIDEA’s financing terms allows for the potential of NMTC subsidy to this project should allocations be distributed. The project provides for significant impact in approximately 230 jobs created and \$66 million in economic impact.

## A. PROJECT DESCRIPTION

### Project Information

Beginning in 2008, BBA and its Board of Directors and managers began a strategic relocation process, one that would provide a firm base for its next 50 years. The ongoing process focuses on a new facility that will meet current and anticipated needs for blood, blood products, and their distribution.

The current system of sending product samples out of state for testing has been criticized for being slow and unreliable during times of emergency. Should a natural disaster occur, such as a forest fire, earthquake or volcanic eruption, BBA may have limited ability to get samples to Puget Sound area laboratories for testing. According to a Security Vulnerability Assessment conducted by the State of Alaska Division of Homeland Security & Emergency Management in 2011, “This current process would delay the immediate distribution of the blood supply in Alaska if an all-hazard event occurred.”

The report goes on to suggest that BBA should, “Consider establishing a certified in-state blood testing capability.” The Security Vulnerability Assessment also concluded that BBA facilities lack adequate security in several key areas. In the new facility, security measures will include card-reader access, a perimeter alarm system, and internal/external cameras and monitoring. Within the new building, product manufacturing will be situated in a secure envelope that is temperature and humidity controlled. Reviewers also noted the lack of redundancy for essential systems at sites currently in use and recommended installation of a dual-fuel capable generator at the warehouse, which is entirely dependent on commercial power. The Assessment indicates that the refrigeration system at Laurel Street is at or beyond the maximum cooling capacity required to ensure FDA-mandated temperatures for blood storage. Further, the reviewers advised BBA to consider establishing in-state testing capability to ensure that an adequate blood supply could be maintained and distributed during all hazard events.

In order to enhance its emergency preparedness and meet new Food and Drug Administration (FDA) manufacturing practices and regulations, as well as the increased demand for blood and blood products, BBA is in the process of the construction phase of a new facility. Located on the corner of Airport Heights Drive and Debarr Road in northeast Anchorage, this new facility will be more than double the size of the current facility, growing from approximately 24,000 square feet to approximately 57,000 square feet.

## Project Facility Design



Figure 1 – Project Facility Design.



Figure 2 – Project Facility Site Plan.



Figure 3 – Rendering of Proposed Lab Model



Figure 4 – Rendering Overhead View of Proposed Lab



## Project Site



Source: Northern Economics, Inc. using Google Maps, image dated 1996

Figure 5 - Aerial view of Project Site of New Blood Bank

The site address is 1215 Airport Heights Road, Anchorage AK 99508.

Legal Description: Tract D-1 of PENLAND PARK, according to the official plat thereof, filed under Plat Number 75-83, Records of the Anchorage Recording District, Third Judicial District, State of Alaska.

## Project Team

To make the project a reality the BBA organized the following team (see below). Many of the studies, reports and contracts are contained in the Appendix of this report. The following is a brief timeline of events.

In 2009, BBA hired Livingston Slone Inc as the project designer. LSI has nearly 40 years of design experience in Alaska, including a broad array of healthcare, laboratory and scientific buildings. Notable LSI projects include the DHSS Virology Laboratory, Alaska Scientific Crime Detection Laboratory, Alaska Public Health Laboratory and the Anchorage Neighborhood Health Clinic. LSI retained Ewing Cole as its blood bank design consultant. Ewing Cole is a nationally recognized design firm with expertise in blood bank design.

In 2010, the Blood Bank of Alaska hired Cook Inlet Housing Authority as the program/project manager. CIHA has over 35 years of development and project management experience in Alaska. CIHA has significant experience managing construction of multi-million dollar developments, and its project managers have experience in residential, commercial and healthcare construction as well as projects funded with New Markets Tax Credits.

In 2011, BBA hired Neeser Construction, Inc. as the Construction Manager/Constructor. NCI has over 25 years of experience constructing large capital projects throughout Alaska, including hospital, laboratory and institutional projects. NCI is very experienced in the CMC integrated project delivery method, and over the past decade has successfully built some of the largest construction projects in Alaska.

BBA, NCI, LSI and CIHA have formed a cohesive development team over the past four years, and working together have accomplished many significant project milestones, including completing the project design, procuring the project site and commencing full construction on the new facility which is on schedule for completion the end of October 2015.

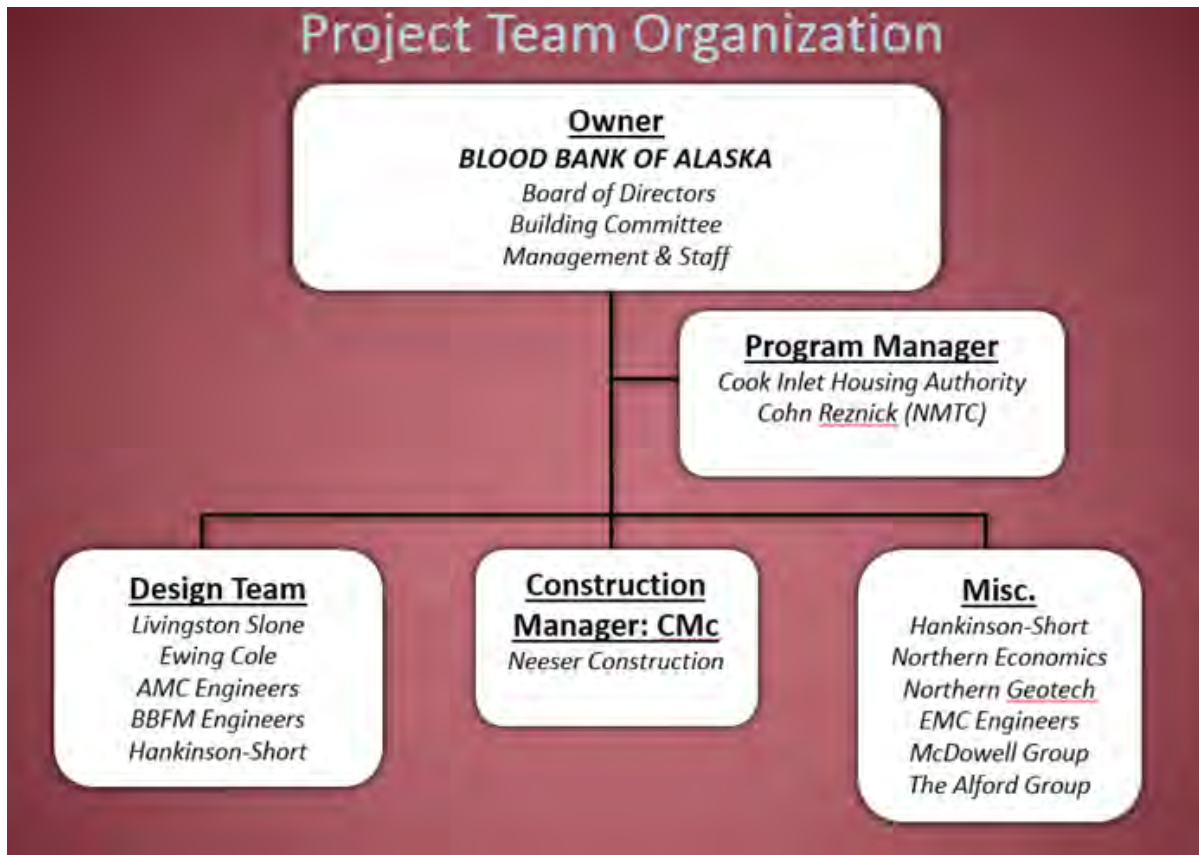


Figure 6 - Diagram of Blood Bank Project Team Organization Chart



Project Sources and Uses

<b>Sources and Uses</b>	
<b>Project Use</b>	<b>Budget</b>
Construction	\$33,000,000
Feasibility, Planning & Design	\$3,900,000
Furniture, Fixtures and Equipment	\$2,300,000
Land	\$2,900,000
Other (Management, Permits, Admin)	\$1,550,000
Contingency	\$1,450,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Funding Source</b>	<b>Amount</b>
SOA Grants (2008-2014)	\$33,150,000
Private Funding	\$1,150,000
Corporate Donor	\$2,000,000
Matsu Foundation	\$300,000
AIDEA Loan	\$8,500,000
<b>Total:</b>	<b>\$45,100,000</b>
<b>Potential Funding Sources</b>	<b>After Loan Closes</b>
Rasmuson Foundation	\$500,000
Sale of Building	\$2,700,000
Corporate Donor	\$1,000,000
Murdock Foundation	\$725,000
<b>Total:</b>	<b>\$4,925,000</b>

Table 1. BBA Sources and Uses

**B. CONSTRUCTION INFORMATION**

Schedule of Values


		
NEESER CONSTRUCTION SCHEDULE OF VALUES		
ACTIVITY	AMOUNT	% COMPLETE
Preconstruction Services (CMc contract)	\$ 20,000.00	100%
Off Site Water Line (Amendment #1)	\$ 129,926.00	100%
Clearing & Grubbing (Amendment #2)	\$ 387,090.00	100%
Misc. Permits and flow test (Invoice #2)	\$ 1,730.00	100%
Partial Fill and Grade (Amendment #3)	\$ 1,537,217.75	100%
Structural Steel (Amendment #4)	\$ 1,470,119.00	100%
<b>Site Prep Subtotal:</b>	<b>\$ 3,546,082.75</b>	<b>100%</b>
<b>Building Complete (Amendment #5) \$29,500,000.00</b>		
Division 01 - General Conditions	\$5,181,143.00	66%
Division 02 - Site Work	\$2,503,446.00	71%
Division 03 - Concrete	\$1,252,552.00	99%
Division 04 - Masonry	\$243,775.00	20%
Division 05 - Metal	\$1,815,830.00	81%
Division 06 - Carpentry	\$552,193.00	20%
Division 07 - Thermal & Moisture Protection	\$2,632,647.00	96%
Division 08 - Doors & Windows	\$1,109,282.00	61%
Division 09 - Finishes	\$2,763,082.00	65%
Division 10 - Specialties	\$270,144.00	24%
Division 11 - Equipment	\$130,580.00	8%
Division 12 - Lab Casework & Work Surfaces	\$576,130.00	1%
Division 13 - Special Construction	\$768,751.00	39%
Division 14 - Conveying	\$83,270.00	92%
Division 15 - Mechanical (wet)	\$2,915,021.00	71%
Division 15 - Mechanical (dry)	\$1,795,055.00	89%
Division 15 - Controls	\$480,732.00	63%
Division 16 - Electrical	\$3,862,133.00	69%
NCI Fixed Fee (1.95%)	\$564,234.00	60%
<b>Total Construction</b>	<b>\$29,500,000.00</b>	<b>69%</b>
<b>Change Order Summary</b>		
Change Order 1	\$47,686.25	100%
Change Order 2	\$38,336.39	89%
Change Order 3	\$13,101.70	11%
Change Order 4	\$18,439.14	78%
Change Order 5	\$233,250.12	45%
Change Order 6	\$32,973.33	19%
Change Order 7	\$40,133.10	28%
Change Order 8	\$14,071.89	76%
Change Order 9	\$33,172.97	0%
Change Order 10	-\$5,436.98	0%
<b>Total Change Order</b>	<b>\$465,727.91</b>	<b>50%</b>
<b>TOTAL PROJECT CONSTRUCTION:</b>	<b>\$33,511,810.66</b>	<b>72%</b>

Table 2. Neeser Construction Schedule of Values.

## Project Schedule

MILESTONE	APPROXIMATE DATE(S)
Excavate for Canopy Foundations	April 2015
Backfill Canopy Foundations	April 2015
Excavate Retaining Wall, Generator & Fuel Storage Pads	April 2015
Form, Install Rebar, Pour/Strip Canopy Foundations	April 2015
Install Remainder of Storm Drain & Misc Utilities	May 2015
Erect Canopy Steel & Metal Decking (4 ea)	May 2015
Form, Install Rebar, Pour/Strip Retaining Wall at NE Building	May 2015
Grade, Form, Pour Emergency Generator, Fuel Storage Pads	May 2015
Set Emergency Generator & Fuel Tanks	June 2015
Install Site Bollards	May 2015
Canopy Roofing	June 2015
Final Site Grading	June 2015
Install Curb & Gutter	June 2015
Install Sidewalks (Including Snowmelt Area)	July 2015
Site Paving	August 2015
Parking Lot Striping	August 2015
Site Signage Including Monument Signs	August 2015
Landscaping	August 2015
Substantial Completion	October 2015
Move-In	February 2016

Table 3. Milestone Construction Schedule for Blood Bank of Alaska Facility Project

Construction Photos



Photos 1-3. Construction Photos



Photo 4. Entry Glazing

Photo 5. First Floor Cell Therapy Rooms

## C. PROPOSED LOAN

### Loan Request Summary

The Blood Bank of Alaska, Inc. (BBA) submitted a preliminary project application on September 19, 2014 for a loan up to \$7,000,000. The initial request was to finance the gap in funding to complete the construction and secure approximately \$1,700,000 in a New Markets Tax Credits (NMTC) subsidy. The suitability committee approved the project to move forward on September 24, 2014. BBA ultimately did not move forward with the NMTC deal and requested that AIDEA postpone its loan request until such time as BBA was prepared to move forward.

BBA re-approached AIDEA in March 2015, and indicated it was now prepared to formally move forward with its loan request in the amount of \$8.5 million. While NMTC are not currently secured, BBA is working with Alaska Growth Capital and other CDE’s and NMTC investors to position itself for an allocation once the U.S. Treasury issues its notice of award projected early this summer. If BBA is not successful in securing NMTC, BBA’s development department and capital campaign committee will continue their efforts to raise funds from private sources and foundations. Although BBA has a large and dedicated donor base, the donations have historically been made in blood. BBA is initiating a fundraising model to leverage its donor base and life-saving mission to help raise donations on an annual basis.

The increase in the loan amount is due to anticipating funding sources not materializing. The amount of the request is also to secure the remaining amounts needed to complete the project. BBA anticipates receiving almost \$5 million in additional funds from other foundations and the sale of its existing Laurel Street building. These funding sources are projected to pay down the loan as funds are acquired. BBA is able and prepared to make payments for the entire term of the loan if necessary.

Loan Request Summary	
<b>Borrower:</b>	Blood Bank of Alaska, Inc
<b>Amount:</b>	\$ 8,500,000.00
<b>Term:</b>	36.5 Years
<b>Rate:</b>	250 basis points + 30 year US Treasury Rate is Fixed on Board Approval date
<b>Payments:</b>	Interest only on Line of Credit and level pay (P&I) on loan term loan.
<b>Frequency of Payments:</b>	Monthly
<b>Financing Terms:</b>	Fixed Line of Credit (LOC) for 18 months. Term Loan for 35 years
<b>Collateral:</b>	1st Deed of Trust on new facility (30% Loan To Value) 1st Deed of Trust on existing building 1st lien position UCC-1 on all Furniture, Fixture and Equipment
<b>Insurance:</b>	Performance and Payment Bond (listed as additional obligee) AIDEA listed as Mortgagee, loss payable or additional insured on all existing/future policies.
<b>Fees:</b>	Application Fee \$ 5,000.00 Commitment Fee of 1% of commitment accepted (up to \$85,000) Title Insurance Closing Fees (Fees can be reimbursed from loan proceeds)
<b>Prepayment Penalty:</b>	BBA can repay the loan without a prepayment.

Table 4. Loan Request Summary

## Term Sheet

TERM SHEET	
1. Borrower:	Blood Bank of Alaska (BBA), INC or To Be Determined (If New Market Tax Credit (NMTC) allocations are received after board approval)
2. Guarantor:	Blood Bank of Alaska, INC (If NMTC allocations are received after board approval)
3. Lender	Alaska Industrial Development and Export Authority (AIDEA)
4. Project Location:	1215 Airport Heights Road Anchorage AK 99508
5. Loan Amount:	Up to \$ 8,500,000
6. Financing Terms:	<p><b>Phase 1:</b></p> <ul style="list-style-type: none"> <li>• Fixed Line of Credit (LOC) up to \$8,500,000**</li> <li>• Rate is fixed at 250 Basis points + 30 Year US Treasury rate at date of Commitment Letter acceptance (estimate of 5.50% as of April 30, 2015)</li> <li>• Interest Rate Fixed for 18 term of LOC</li> <li>• LOC term is 18 Months</li> <li>• Payments during LOC term are monthly and Interest Only based on drawn amount</li> <li>• LOC automatically converts to a Term Note at end of LOC term</li> </ul> <p><b>Phase 2:</b></p> <p>Term Note up to \$8,500,000 **</p> <ul style="list-style-type: none"> <li>• 35 Year Term (Fully Amortizing)</li> <li>• Interest Rate will be the same as Fixed Line of Credit</li> <li>• Monthly required payments</li> </ul> <p>** 7 year Forbearance (to comply with NMTC structure if allocations are received) 2016-2023 No Prepayment Penalty to both Phase 1 and 2.</p>
7. Collateral:	<p><b>Real Estate:</b></p> <p>A) 1st Lien Deed of Trust on proposed project site (to include "fixture filing" as defined in Alaska Uniform Commercial Code (AS 45.29.102(a)(49)); it covers goods that are or are to become fixtures.</p> <p>B) 1st Lien Deed of Trust on existing building. (Lien would be released concurrent with purchase contract execution and proceeds to pay down AIDEA LOC loan (Amount is net of closing cost paid by seller and agreed to purchase price) received at closing.</p> <p><b>Equipment:</b></p> <p>Senior Lien secured by a Uniform Commercial Code (UCC)-1 Financial statement filing on all Furniture, Fixtures, and Equipment (FF&amp;E). Lien will be further perfected by direct lender payment from loan proceeds of any equipment greater than \$50,000</p> <p>Subject to NMTC structure and potential NMTC loan (lender can subordinate equipment for NMTC loan)</p>
8. Financing Details:	<p>A) Approximately \$7,000,000 in finalizing design, construction and construction-related cost.</p> <p>B) Approximately \$1,500,000 in furniture fixture and equipment</p>

Table 5. Term Sheet.



TERM SHEET	
9. Funding	<p>A) First Draw available on or after July 1, 2015</p> <p>B) First Draw is to be after all other available funds of \$36,550,000 are expended, with the exception of funds expressly reserved for FF&amp;E not yet purchased (BBA must provide documentation satisfactory to the Authority)</p> <p>C) Draws based on invoices from construction contractor or other project vendors.</p> <p>D) Requires monthly progress reporting.</p> <p>E) Certified draws to be paid not more frequently than monthly during the LOC loan period</p> <p>F) Invoices for equipment greater than \$50,000 require direct payment to vendor.</p>
10. Conditions:	<p>A) Borrower satisfies all requirements for NMTC structure (If NMTC are allocated)</p> <p>B) NMTC commitment (if NMTC are allocated)</p> <p>C) BBA or Third Party Pro-forma certification due May 13th, 2015.</p> <p>D) Verified Corporate Donor sources \$2,000,000</p> <p>E) Verified funding sources of \$33,150,000 State of Alaska</p> <p>F) Verified funding sources of \$1,150,000 from private funding</p> <p>G) All Funding sources need to be accounted for if loan amount changes.</p> <p>H) Maximum Loan to Value of 75%</p> <p>I) If Borrower is a newly formed entity, formation documents are needed (i.e., Articles of Incorporation, By-Laws, and Business License)</p> <p>J) Listed as Additional Obligee on performance and payment bond (Document A312)</p>
11. Schedule	<p>A) Receive all requested Items and final term sheet by close of business day May 14, 2015 to meet May 28, 2015 Board Meeting.</p> <p>B) Present Finance Plan/Presentation May 28th Board Meeting Approval.</p> <p>C) Close Fixed Line of Credit on or before June 15, 2015</p>
12. Covenants	<p>A) Borrower to maintain 1.25 Debt Service Ratio Requirement (EBITDA/Interest + Current Maturities of Long-Term Debt)</p> <p>B) Borrower to provide Audited Financial Statements Annually within 180 days of Fiscal Year.</p> <p>C) Borrower to receive approval from lender prior to applying and/or incurring any additional debt or lease obligations.</p> <p>D) Borrower to provide the Authority with all change orders related to the construction within 15 days.</p> <p>E) The Authority reserves the right to inspect the premises at any time during the fixed line of credit and term note periods.</p>
13. Insurance	<p>Standard Mortgagee Clause (SMC) to be added to each below:</p> <p>A) Builders Risk Certificate (\$30,970,119) (AIDEA shall be listed as additional insured on builders policy and BBA insurance policy prior to funding draws)</p> <p>B) Property Insurance with lender approved provider (within 30 days) of construction completion, with coverage amount equal to cost of Construction + replacement at current value of all equipment.</p> <p>C) AIDEA to be listed as ("loss payable" or additional insured) on all BBA's existing insurance policies.</p>

Table 5. Term Sheet.

TERM SHEET	
14. Fees	A) Non-refundable Application of \$5,000.00 (Received) B) Commitment Fee of 1% of principal loan amount requested at time of commitment letter acceptance. (Due upon signed commitment letter, may be reimbursed at closing) C) Title Insurance (ALTA Standard Loan Policy) D) Loan Documentation, Recording and Misc. cost (Est \$2,000) E) Actual Attorney Fees F) Fees above can be reimbursed from loan proceeds and capitalized
15. Default	A) 7 Year Forbearance period for NMTC B) During default Interest + Principal accrue to the size of the loan
16. Indemnification:	A) The Authority shall be indemnified from all incidents related to construction and maintenance of the building.
17. Disclosures:	This is not an offer, approval or commitment to lend.

Table 5. Term Sheet.



## Collateral

Replacement Cost New was used for the value of the proposed project. Property was discounted by 25% due to the special purpose for which the building was constructed.

DESCRIPTION	COLLATERAL INFORMATION	SOURCE
Site Address	1215 Airport Heights Road, Anchorage, AK 99508	Municipality of Anchorage
Legal Description	Tract D-1 of PENLAND PARK, according to the official plat thereof, filed under Plat Number 75-83, Records of the Anchorage Recording District, Third Judicial District, State of Alaska	First American Title
As-built	Due upon completion of construction	Neeser Construction Schedule
Owner	Blood Bank of Alaska, Inc.	First American Title
Tax ID	004-091-16-000	Municipality of Anchorage
Lot Size	186,232 sqft (4.28 Acres)	Municipality of Anchorage
Building Size	60,809 sqft	LSI Design
Land Value	\$2,889,770	Purchase Agreement (May 2012)
Building Value	\$33,145,207	Neeser Construction Contract
Furniture Fixture & Equipment	\$2,300,000	Cook Inlet Housing Authority (Program/Project Manager)
Total Value	\$38,334,977	
Zoned	Commercial Medical Office	Municipality of Anchorage
Taxes	None (Charitable Exemption)	Municipality of Anchorage
Existing Liens	None (As of 10/14/2014)	First American Title
Environmental Assessment	No known areas of contamination, the potential for encountering environmental contamination is assumed to be low	Phase I Environmental Site Assessment by R&M Consultants, Inc. (April 2011)
Total Value	\$38,334,977	
Adjustments	(\$9,583,744)	25% for Special Purpose Building
Value With Adjustments	\$28,751,233	
Amount of Loan	\$8,500,000	
Loan to Value	22%	
Loan to Value With Adjustments	30%	
Useful Life of Building	50 years	Economic Analysis of a New Facility, by Northern Economics (August 2012)

Table 6. Summary of Collateral Loan Terms

In addition to the collateral above we are also taking a 1st lien position on the existing building at 4000 Laurel Street, Anchorage AK 99508. A confidential purchase agreement is in place for the purchase price of \$2,750,000.00. This lien will be released once a purchase agreement is executed, and proceeds from the sale will pay down our loan.

### Draw and Payment Schedule

Phase 1 Fixed Line of Credit Period				
Draw Schedule				Interest only**
1	Draw	7/1/15	\$ 2,343,000.00	
2	Draw	8/1/15	\$ 2,090,000.00	\$ 10,875.43
3	Draw	9/1/15	\$ 1,550,000.00	\$ 20,576.51
4	Draw	10/1/15	\$ 1,360,000.00	\$ 27,771.09
5	Draw	11/1/15	\$ 523,000.00	\$ 34,083.76
6	Draw	12/1/15	\$ 265,000.00	\$ 36,511.35
7	Draw	1/1/16	\$ 290,000.00	\$ 37,741.39
8	Draw	2/1/16	\$ 79,000.00	\$ 37,741.39
<b>Total Draws</b>			<b>\$ 8,500,000.00</b>	Thereafter 37741.39
** Assumptions: Monthly payments based on 5.57% APR				
Phase 2 Long Term Loan Options				
Loan Amount	Annual Payments	Assumptions/notes		
\$ 8,500,000.00	\$ 552,443.00	Fully advanced line of credit		
\$ 3,575,000.00	\$ 232,351.00	Prepayment of \$4,925,000 from other sources		
Payment assumptions are calculated with the following interest rate (5.57% APR)				
Payments are collected monthly for 35 years				

Table 7. Draw and Payment Schedule.

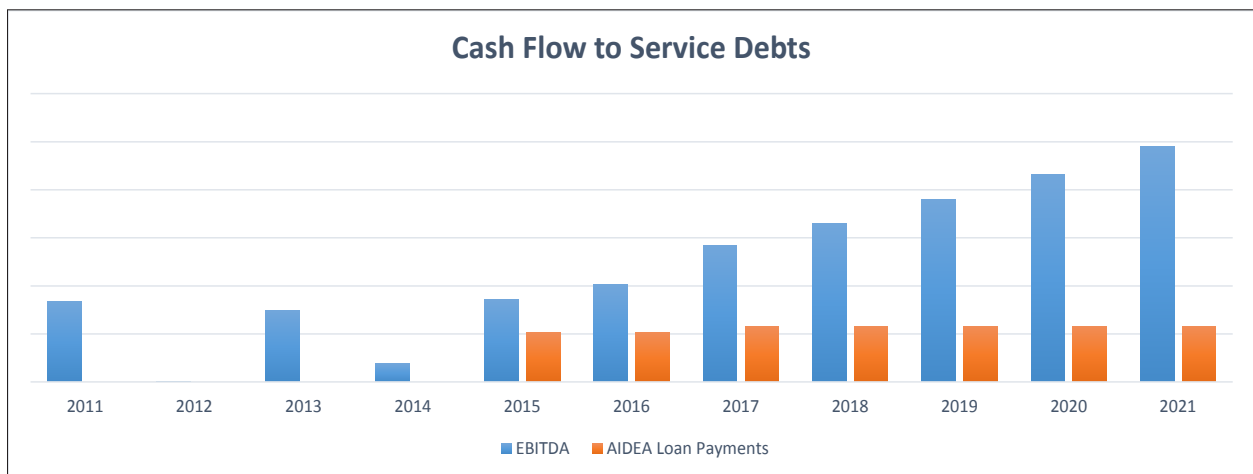


Table 8. AIDEA loan payments assume a fully advanced loan of \$8.5 million.

## New Markets Tax Credits

The current loan is structured to take advantage of New Markets Tax Credits, should BBA be able to receive allocations. The following is for informational use.

### *Introduction*

Congress created the New Markets Tax Credits (NMTC) program in 2000 to incentivize investments that create jobs and provide services in economically disadvantaged areas. NMTCs can subsidize approximately 20% of a project’s capital needs, usually in the form of low interest, forgivable debt. The program is primarily used to fund commercial, industrial, community facility, and mixed real estate projects, as well operating businesses located in qualifying Census tracts. Qualifying Census tracts, known as Low-Income Communities (LICs), are determined by income and poverty data from the most recent Census. NMTCs can also be layered with many different financing sources, such as traditional debt, grants, tax increment financing and Historic Tax Credits. In order to benefit from NMTCs, a project must obtain financing from an organization certified as a Community Development Entity (CDE) by the Community Development Financial Institutions (CDFI) Fund. The CDFI Fund, a division of the U.S. Department of Treasury, administers the NMTC program. It allocates tax credits to CDEs, which in turn use the tax credits to provide subsidized financing to projects.

### *The Basics: How NMTCs Work*

CDEs use NMTCs to provide subsidized financing for qualifying businesses or real estate projects. Projects must meet the Federal definition of a Qualified Active Low-Income Community Business (QALICB) to be eligible for NMTC financing. QALICBs are businesses that are located in, or provide services to, Low-Income Communities. CDEs obtain funds to invest in QALICBs through private investors. The NMTC program provides these investors with federal income tax credits based on equity investments made in CDEs. This investment is known as a Qualified Equity Investment (QEI). Investors receive a tax credit for 39% of a QEI, which is claimed over a seven-year schedule. A QEI must be fully invested in a CDE for seven years in order for an investor to meet NMTC compliance requirements.

### *Value of the Tax Credit*

Investors claim NMTCs on their federal income tax returns over seven years, totaling 39% of the amount invested as a QEI. Investors claim tax credits on the following schedule:

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>Total</b>
<b>Tax Credit as Percent of Investment (QEI) Amount</b>	5%	5%	5%	6%	6%	6%	6%	<b>39%</b>

Table 9. New Markets Tax Credits

Based on this formula, an investor providing \$1 to a CDE in the form of a QEI would receive tax relief benefits of \$0.05 in each of Years 1 through 3, and \$0.06 in each of Years 4 through 7, for a total of \$0.39 of benefits. In this example, \$1 of the CDE's NMTC Allocation would be expended. Because the tax relief is phased in over a seven-year period, investors typically apply a discount factor when determining how much up-front cash they are willing to provide to the CDE in exchange for the \$0.39 of benefits. Investors typically quote tax credit pricing as the amount of up-front equity they will pay in to the deal per \$1 of total tax benefit they will be able to claim over the 7-year NMTC credit/compliance period. For example, if an investor pays \$0.80 per \$1 of tax benefit, this translates into \$0.31 per \$1 of total QEI invested ( $\$0.80 \times 39\%$ ). Investors have historically paid between \$0.70 and \$0.85 per \$1 of NMTC benefit, with recent pricing clustering around \$0.83. Investors pay discounted rates of less than \$1 for the NMTC benefit because the investor equity is provided up-front while the NMTC benefit is spread over the 7-year compliance period.

## D. ECONOMIC IMPACT

### Economic Impact Analysis

The economic impacts of this new facility include the effect of facility construction and the effect of consolidation and expanded operations (McDowell Group study, April 2014). In addition to the direct effects, the indirect and induced effects are also calculated to capture the impact of increased expenditures within the Anchorage economy.

#### *Economic Impact of Construction*

The Blood Bank of Alaska has been planning and preparing for a new facility since 2005 and formally began project development in early 2009. The original total project cost was estimated at \$47.2 million. Program management and oversight is being provided by CIHA. Design of the new facility was completed by architectural firm Livingston Slone in January 2013. The lead construction firm will be Neeser Construction Inc. All three are headquartered in Anchorage. The target completion date of the new facility is October 2015.

#### *Program Management*

CIHA was retained during December 2010 and has assigned two part-time professionals to oversee and manage this project through to 2015. Land purchase, project management, and permitting have an estimated budget of \$4.45 million.

#### *Design*

This phase of the project was budgeted at \$3.9 million. This phase includes four jobs over five and a half years from the initial project design to proposed completion date. During the peak design phase, 16 people were involved for a period of 14 months.

#### *Construction*

Using estimates and data provided by Neeser Construction Inc., McDowell Group modeling of the construction phase employment indicates that employment will average 133 jobs over the 16-month construction period with peak employment of 170 workers. Construction workers will earn a total of \$14 million in labor income, based on McDowell Group estimates.

Including all indirect and induced impacts, the employment effects of the construction phase will include approximately 230 jobs. Labor income will total approximately \$20 million over the 16-month construction period.

The total economic activity (also called “impact” or “output”) of the construction stage of the new Blood Bank of Alaska facility is estimated at \$66 million including direct construction expenditures, plus project-related indirect and induced spending in Alaska.

Construction Phase Employment, Labor Income and Output Effects			
	Employment	Labor Income (millions)	Output (millions)
Direct	133	\$14	\$47
Indirect/Induced	97	\$6	\$19
<b>Total</b>	<b>230</b>	<b>\$20</b>	<b>\$66</b>

Source: McDowell Group estimates.

Table 10-1. Economic Impact of Blood Bank Alaska Expansion to Labor

## Economic Impact of Expanded Blood Bank of Alaska Operations

The most significant economic impact of the Blood Bank of Alaska expansion is related to provision of services previously unavailable in Alaska. The Blood Bank of Alaska will begin providing reference lab and cellular therapy services and possibly milk bank services. The other notable areas of expansion are in research and donor testing. These expanded services will offer new revenue generating opportunities.

The Blood Bank of Alaska is currently an \$11.4 million annual operation with 89 employees in facilities in Fairbanks and Anchorage. Approximately half of their expenditures are for labor (48 percent), over two-fifths are for services from out of state (44 percent), and the remainder is spent within Alaska (8 percent). With the expanded facility, the annual operating budget will be approximately \$13.4 million.

The direct impact of these new and expanded services is described below.

### *Milk Bank Services*

A milk bank is similar to a blood bank in that both banks store perishable living donor products to be given to patients in medical need. Currently there is no milk bank serving the residents of Alaska. This service is estimated to cost \$200,000 annually.

### *Reference Lab Services*

The Reference Laboratory will perform a wide variety of testing, including the identification and resolution of red cell, platelet, and HLA transfusion-related complexities. It will serve as a compatibility testing service and provides suitable, safe and effective blood and blood components for transfusion to patients. The laboratory also functions as a reference laboratory for clients and

for transfusion to patients. The laboratory also functions as a reference laboratory for clients and area hospitals performing and evaluating a wide variety of tests to resolve complex serological patient problems. Telephone consultation is also provided to aid clients with troubleshooting and problem solving. Two additional lab technicians will be hired specifically for the reference lab. This service is estimated to cost \$300,000 annually.

#### *Cellular Therapy Services*

Cellular therapy describes the process of introducing new cells into a tissue in order to treat a disease. In the case of the Blood Bank, this involves the collection of the donor's cells and the reinfusion of those cells in a concentrated manner. Cell therapies often focus on the treatment of hereditary diseases, with or without the addition of gene therapy. This service is estimated to cost \$62,500 annually.

#### *Research*

Blood Bank of Alaska is expanding its research activity. In order to maintain high quality service, retain staff, and contribute to the medical community, it is engaging in genomic cellular research. This expansion of research activity is estimated to cost \$200,000 annually.

#### *Donor Testing*

The facility expansion will improve local donor testing. Currently, these services are sourced outside of Alaska adding both financial costs and delays. This service is estimated to cost \$1,200,000 annually.

#### *Services Summary*

These services are expected to generate sufficient revenue to offset their costs. As illustrated in the following table, the new facility will see the creation of 11 new positions, ranging from administrative level to highly trained technicians. Total payroll associated with these new jobs is estimated at \$660,000 annually. In addition, with the Blood Bank expansion, many of the existing staff will have opportunities for greater responsibilities and correlating compensation increases. The estimated increase to the existing payroll is \$600,000, or approximately an 11 percent increase. In total, the direct impact of expanded Blood Bank operations will be \$2 million in new spending and 11 new jobs. This includes approximately \$1.3 million in annual labor income. The following table summarizes how this spending will be distributed across new services.

### *Indirect and Induced Effects*

In addition to new jobs and payroll at the Blood Bank of Alaska, operation of the new facility will have ongoing indirect and induced economic impacts. Indirect impacts are those that will be associated with increased in-state vendor spending in support of Blood Bank operations while the induced effects are those related to spending of the new payroll dollars created by the project. Combined the indirect and induced employment effects are estimated at nine jobs and \$450,000 in annual labor income in Alaska.

To summarize, the expansion is estimated to create 11 new jobs at the facility and nine additional jobs in the community. The additional labor income impact is estimated to be \$660,000 for new jobs, \$600,000 for existing Blood Bank staff, and \$450,000 throughout the economy.

## Qualitative Benefits

The economic impact estimates described in this report do not include all of the benefits associated with the proposed facility expansion. Among other things, the expanded facility will enhance Anchorage's emergency preparedness and will relieve the burden on existing laboratories.

### *Emergency Preparedness*

The population of Alaska is estimated to exceed 750,000 by the end of 2015, rising to 850,000 people during peak tourist season. In the event of a disaster, the Blood Bank will be relied upon to treat trauma patients. With the expanded facility, blood will be stored longer and in greater quantities, enhancing their emergency preparedness.

### *Existing Laboratories*

A few laboratories in Anchorage currently provide some reference lab services, but these services are relatively low profit margins and are provided to meet an essential need. Since the Blood Bank of Alaska specializes in whole blood and blood component testing, more cost effective delivery of these services is expected. Rather than encroach on for-profit services, the introduction of Reference Lab services will reduce the burden on the existing labs.



## Summary of Economic Impacts

The following table summarizes direct, indirect and induced economic impacts associated with construction and operation of the new Blood Bank of Alaska facility. Facility operations impacts are the incremental increases in the Blood Bank of Alaska spending, payroll and employment related to operating the new facility. They do not reflect the total economic impact of the Blood Bank of Alaska operations, which of course are much larger than the incremental impacts.

<b>Economic Impact of Blood Bank of Alaska Expansion</b>			
	<b>Direct</b>	<b>Indirect/Induced</b>	<b>Total</b>
<b><i>Facility Construction (16 months)</i></b>			
Employment Impact	133	97	230
Labor Income Impact	\$14 million	\$6 million	\$20 million
Total Economic Impact	\$47.2 million	\$18.8 million	\$66.0 million
<b><i>Expanded Services Operations (Annual)</i></b>			
Increased BBAK Employment	11	9	20
Increased BBAK Labor Income	\$1.3 million	\$450,000	\$1.7 million
Increased Annual Activity	\$2.0 million	\$1.5 million	\$3.5 million
Source: McDowell Group estimates.			

Table 10-2. Economic Impact of Blood Bank Alaska Expansion to Labor

## E. BORROWER INFORMATION

### Blood Bank Background

The Blood Bank of Alaska (BBA) was recognized as tax exempt under section 501 (c) (3) of the Internal Revenue Code in a determination letter issued in November 1963. The BBA, established over 50 years ago in Anchorage, operates as a non-profit, mission-oriented organization. BBA provides blood and blood products to more than twenty hospitals and clinics throughout Alaska, from Kotzebue to Sitka. It is the only blood bank in the state and over the past 30 years, its volume of activity has grown to the point where current facilities cannot meet future operations.

BBA's operations have now been based at the same Laurel Street location for more than 30 years. As the demand for blood and blood products increased, BBA adjusted its interior configuration to accommodate increased production, additional staff, and new services. Additional Food and Drug Administration (FDA) regulations have made operations in the Laurel Street facility difficult; infrastructure not originally designed to meet these new regulations has been modified to support continued operations. The BBA facility has now reached maximum capacity and relies on inspection approval to continue operations.

### Blood Bank Financial Information

See Appendix B.

### Blood Bank Management

The Blood Bank of Alaska is governed by a volunteer Board of Directors, representing community leaders in various fields such as medicine, business, and civic service. Blood Bank of Alaska recently celebrated its 50th anniversary of serving the healthcare needs of Alaskans. When the Blood Bank of Alaska was initially founded, the original Board of Directors consisted of ten health care professionals from around the state. In 1975, the board was expanded to include broad community – based representation. Today, there are 16 dedicated members serving on BBA Board of Directors.

Robert W. Scanlon, MBA is BBA's current Chief Executive Officer. He joined BBA in this capacity in 2012. Prior to joining BBA he was the Executive Director at the Humphreys Diabetes Center in Boise, Idaho from (2005-2012) and was Area Director of Manufacturing for the American Red Cross Biomedical Services in Meridian, Idaho (2001-2005). Mr. Scanlon's experience at the American Red Cross, where he managed a multi-million dollar capital building project, supported the expansion of services provided by the regional and national organization to meet or exceed customer needs. This included the world's largest blood processing and distribution facility at that time.

BOARD OF DIRECTORS 2015		
NAME	TITLE	AFFILIATION
Bob Petersen	CHAIR	<i>Owner/President, The Petersen Group</i>
Ryan York	VICE-CHAIR	<i>VP Finance, Bristol Bay Native Corporation</i>
Ian Van Tets, PhD	SECRETARY	<i>Associate Professor Biological Sciences, UAA</i>
Kim Cunningham	TREASURER	<i>Director, Finance-Resources, NANA Regional Corporation</i>
Tim Benintendi	AT LARGE	<i>Retired, Senior Legislative Assistant</i>
Curtis Buchholz, MD	Board Member	<i>Medical Director, Peninsula Pathology Institute, Soldotna</i>
Ron Clark	Board Member	<i>Legislative Finance Aide, Representative David Guttenberg</i>
Chuck Coulson	Board Member	<i>President, BP Pipelines (Alaska) Inc.</i>
Eric Croft	Board Member	<i>Partner, The Croft Law Office</i>
Major Sherry Glenn	Board Member	<i>USAF, Chief, Transfusion Services, JBER</i>
Don W. McClintock	Board Member	<i>Attorney, Ashburn &amp; Mason</i>
David McGuire, MD	Board Member	<i>Orthopedic Surgeon, Alaska Clinic</i>
Chris Mello	Board Member	<i>Retired, Rural Energy Group, Alaska Energy Authority</i>
Randall Pitney	Board Member	<i>State of Alaska Department of Education, Fairbanks</i>
Chris Rutz	Board Member	<i>Owner, Rutz Consulting, Retired, State of Alaska, Dept of Natural Resources</i>
Cindy Schumaker	Board Member	<i>Executive Director, Morris Thompson Cultural and Visitors Center, Fairbanks</i>
Christie Wilcheck	Board Member	<i>Planning Development Officer, Alaska Housing Finance Corporation</i>

Table 11. Board of Directors 2015 - Blood Bank of Alaska.

## F. RISK MITIGATION

RISK	MITIGATION
Not for profit	The BBA is a non profit that generates revenues through the sale of blood products and has been in business for over 50 years.
Doubling in size/unproven capacity	The BBA has been managing several different lease sites and has adapted to the growing needs of customers. If necessary or desired, portions of building could be subleased to other medical groups.
Competition	The BBA has several long standing relationships and is constantly evaluating product cost to keep blood products competitively priced. The entry barrier for a new blood bank in state would be challenging.
State of Alaska economy and population	The long term of the loan provides cushion should demand for blood products decline. The BBA also plans on continued fundraising to pay off the project.
Potential (forebearance for 7 years)	The low loan to value of 30% provides coverage for a potential default in the 7 year time frame.
Potential (NMTC recapture)	The loan amount covers the cost to complete the project. Any additional funds raised (including potential NMTC) would pay down the our loan and provide enough collateral in the event of recapture.

Table 12. Analysis of potential risks and mitigations.

Blood Bank of Alaska	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Emergency Preparedness Infrastructure</li> <li>• Meets new regulations</li> <li>• Only Blood Bank in Alaska</li> <li>• Consolidation of locations</li> <li>• Equity in project</li> <li>• Low Loan to Value 30%</li> <li>• Cash Flow consistent</li> <li>• Economic Development</li> <li>• Jobs</li> <li>• Lives Saved</li> <li>• Significant state appropriation investment in the new facility</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Not for Profit</li> <li>• Doubling in size</li> <li>• Unproven Capacity</li> <li>• Delay of testing blood in state</li> <li>• Construction began with funding sources not secured</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Additional efficiencies</li> <li>• New Services</li> <li>• New Blood Products</li> <li>• Training and collaboration with Alaska Regional and other medical facilities</li> <li>• In-State testing</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Future technologies minimizing blood usage</li> <li>• State of Alaska economy and population</li> <li>• Competition</li> <li>• Forbearance for 7 years</li> <li>• New Market Tax Credit recapture</li> </ul>

Table 13. Analysis of project strengths, weaknesses, opportunities, and threats.

**Conditions**

- BBA or Third Party Pro-forma certification.
- Corporate Donor Commitment Letter of at least \$1 million.
- Verified funding sources from State of Alaska of \$33,150,000.
- Verified funding sources from private funding of \$1,150,000.
- All Funding sources need to be accounted for if loan changes.
- Maximum loan to value not to exceed 75%.
- Newly formed borrowing entity documentation (Articles of Incorporation, By-Laws and Business License) are needed.
- Corporate resolution to borrow from both entities.

**Environmental**

Phase I Environmental Site Assessment by (R & M Consultants, Inc.) revealed no evidence of recognized environmental conditions.

## Loan Covenants

Significant loan covenants include:

- Audited financial statements are to be provided annually by the borrower and co-borrower.
- 1.25 Debt Service Ratio requirement.
- Negative Covenant: Approval of any new debt or lease agreement from AIDEA.
- Borrower to provide the Authority with all change orders related to the construction within 15 days.
- The Authority reserves the right to inspect the premises at any time during the fixed line of credit and term note periods.

## Insurance

- AIDEA will be listed as Additional Obligee on existing performance and payment bond under the Neeser Construction contract.
- AIDEA will be listed as either lender loss payable or additional insured on all existing and future insurance policies.

## G. SUMMARY

### Recommendation

The staff recommends approval of this development project loan. The loan will facilitate completion of much needed infrastructure to support the State of Alaska's emergency preparedness plan. The flexibility given by AIDEA's financing terms allow for the potential for NMTC subsidy to this project should allocations be distributed. The project provides for significant impact in approximately 230 jobs created and \$66 million in economic impact.



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