



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: John Springsteen *JS*
CEO/Executive Director

Date: June 28, 2018

Subject: Loan Summary – City Center Wasilla, LLC
Loan Resolution No. L18-04

Loan Request First National Bank Alaska requests AIDEA’s participation of \$1,181,250 (90%) in a \$1,312,500.

Term

Lender	Amount	Term	Structure
AIDEA	\$1,181,250	25 years	Fixed for 25 yrs.
FNBA	\$131,250	15 years	Floating variable rate
Total	\$1,312,500		

Borrower City Center Wasilla, LLC

Guarantors Western Enterprises, Inc., Arctic Center, Arcticorp, Gold Street, LLC, Carl D. Kuhn.

Use of Proceeds Pay off FNBA construction financing and reimburse borrower for out-of-pocket construction/land costs.

Project New constructed 6,560 SF, office building located in Wasilla.

Jobs Supported 10 construction jobs. No new permanent jobs will be supported because of these improvements. 3 existing jobs will be supported.

Management Western Enterprises, Inc. is the managing member (36%) and property manager. They have extensive experience in the all aspect of commercial real estate development and property management.

Collateral and Value

Deed of Trust in first lien position on the improvements located at 621 Knik Goose Bay Road, Wasilla, Alaska.

Rick Richter, MAI, from Richter & Stone, appraised the Lease Fee interest in the property at \$1,750,000 on an "At Stabilized Occupancy" basis.

This loan participation has a Loan-to-Value ratio of 75%, which is within AIDEA guidelines. Projected net operating income from the collateral will service debt payments at 1.47 times to 1, per the appraisal projections.

Related Debt

The borrower and guarantors have nine related loan participations totaling \$10,353,621. All loans have paid as agreed since inception.

Financial Information

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

Environmental

No issues noted.

Market

According to the appraiser, the Palmer/Wasilla area has been revitalized by its growing population and the arrival of big box retail. This economic growth has had a positive effect on the real estate market. There is a large amount of vacant land in the Valley available for development but most of it is not suited for commercial development. Most of the non-retail, commercial growth in the Wasilla will likely occur within the neighborhood where the subject property is located. The appraiser has projected that the commercial real estate market in this area is stable.

Strengths

- New construction in a good location.
- Projected Debt Service Coverage Ratio of 1.47 is above the 1.25 guideline.
- A 7.5-year lease term will provide a stable source of cash flow to service the loan.
- Owners are very experienced in commercial real estate management.
- Outside financial support is available from the guarantors with strong net worth's and sources of cash flow.

Weaknesses

- Normal credit risk associated with a property leased to a single tenant. This is mitigated by the strong net worth of the guarantors and property being very marketable as office space.

Portfolio Diversification

As of March 31, 2018, AIDEA had 21.7% of its total statewide portfolio secured by office type properties. This will increase to 21.9%. For participated loans within the MatSu region, 18.8% of AIDEA's total portfolio is attributed to office type projects. This loan will increase office type properties to 20.3% in the MatSu region. Total dollars in the MatSu region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 15.8% to 16.0%

Recommendation

Staff recommends approval of Loan Resolution No. L18-04 as presented.

AIDEA Credit Presentation

BORROWER: City Center Wasilla, LLC	Bank: First National Bank Alaska
CO-BORROWER: None	
ADDRESS: 4101 Arctic Blvd., Suite 203, Anchorage, AK 99503	Date: June 11, 2018

C-Corp
 S-Corp
 LLC
 General Partnership
 Ltd Partnership
 Sole Proprietorship
 Individual
 BOND SALE

BUSINESS: Real estate holding company	NAICS: 531120
GUARANTORS: Western Enterprises, Arctic Center, Arcticcorp, Gold Street, LLC and Carl Kuhn	
LOAN PURPOSES:	
<input type="checkbox"/> Refinance <input checked="" type="checkbox"/> New Construction <input type="checkbox"/> Acquisition <input type="checkbox"/> Assumption <input type="checkbox"/> Equity Extraction <input type="checkbox"/> Energy Development Project	
LOAN PROGRAM:	
<input checked="" type="checkbox"/> Loan Participation <input type="checkbox"/> Business Assistance Program <input type="checkbox"/> OREO Sale <input type="checkbox"/> AIDEA 100% Owned	
COMMITMENT TERM: Six months	ANTICIPATED FUNDING DATE: August 20, 2018
JOBS SUPPORTED /RETAINED: 10 construction jobs were supported and no new permanent jobs supported	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
FNBA	\$131,250	10%	Variable ¹	\$1,072.42	\$12,869.04	15 years:
AIDEA	\$1,181,250	90%	Fixed ²	\$6,399.28	\$76,791.36	25 years
TOTAL	\$1,312,500			\$74,471.70	\$89,660.40	Effective Amo: 25 years

Related Debt	\$10,353,621
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GUARANTEE	Loan Amount	Guarantee Percentage	Guarantee Amount	Rate	Payment		Term
					Monthly	Annual	
None							

COLLATERAL DESCRIPTION AND VALUE				
Description	Appraisal Date	Source	Appraised Value	Loan to Value
First lien on a new, 6,560 SF office building located at 621 Knik Goose Bay Road, Wasilla, AK	November 21, 2017	Rick Richter, MAI Richter & Stone	\$1,750,000	75%

APPROVALS/DECLINES
Comments: Loan Committee approved this participation request on June 13, 2018

CONDITIONS OF APPROVAL

¹ Lender's – Initial rate of 5.5% and floating thereafter

² AIDEA – 25-year fixed rate, underwritten at 4.25%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L18-04

**A RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY
REGARDING PURCHASE BY THE AUTHORITY OF A
PARTICIPATION IN CITY CENTER WASILLA, LLC**

WHEREAS, First National Bank Alaska has filed an application with the Alaska Industrial Development and Export Authority (the “Authority”) requesting that the Authority purchase a participation in a loan to City Center Wasilla, LLC (the “Loan”) under the Authority’s loan participation program (AS 44.88.155 et seq.);

WHEREAS, the nature, purpose and terms of the Loan and the Authority’s participation are described in the attached Memorandum (the “Memorandum”) from Authority staff;

WHEREAS, staff of the Authority has recommended that the Authority purchase the participation in the Loan, subject to certain conditions, as described in the Memorandum;

WHEREAS, the Authority’s participation in the Loan is consistent with all requirements for such participation provided in AS 44.88.155 et seq. and the applicable regulations of the Authority related to such participations provided in 3 AAC 99.200 - .390;

WHEREAS, it is the Authority’s policy that the purchase of a loan participation be approved by the Authority’s board if the Authority’s participation in the loan will equal or exceed \$3,000,000, or if the aggregate amount of the Authority’s participation in loans to any borrower or guarantor will exceed \$5,000,000;

WHEREAS, the dollar amount of the request loan participation is \$1,181,250;

WHEREAS, there is related debt in the amount of \$10,353,621;

WHEREAS, First National Bank Alaska requests the Authority to purchase \$1,181,250 (90%) of the \$1,312,500 Loan; and

WHEREAS, it is in the best interest of the Authority that the Authority purchase the participation in 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 purchase of the participation in the Loan as described in the Memorandum is 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 and the Authority's participation as the Executive Director, in his discretion, determines appropriate.

Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to the Authority's participation in the Loan.

DATED at Anchorage, Alaska on this 28th day of June 2018.



Chair

Secretary