



**MEMORANDUM**

**To:** Board Members  
Alaska Industrial Development and Export Authority

**From:** John Springsteen  
Executive Director

**Date:** May 31, 2018

**Subject:** Loan Summary – MSH Enterprises, LLC  
Loan Resolution No. L18-02

Loan Request Alaska USA Federal Credit Union request requests AIDEA’s participation of \$6,581,250 (90%) in a \$7,312,500 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$6,581,250	25 years	Fixed for 25 yrs.
AK USA FCU	\$731,250	14 years	5 yr. variable rate
Total	\$7,312,500		

Borrower MSH Enterprises, LLC

Guarantors Dr. Matt A. Heilala, Stacey M. Heilala, Matt and Stacey Heilala Living Trust, Dated June 23, 2004, and Matt A. Heilala, DPM, Inc., dba Alaska Foot & Ankle Specialists.

Use of Proceeds Payoff construction financing provided by AK USA FCU.

Project Newly constructed 21,268 SF medical-office building located in the UMED District of Anchorage.

Economic Development/

Jobs Supported 105 construction jobs. 25 new permanent jobs will be supported because of these improvements.

Management Dr. Matt Heilala’s management experience includes operating his successful medical practice since 2000.

### Collateral and Value

First Deed of Trust on the improvements located at 2250 East 42<sup>nd</sup> Avenue, Anchorage, Alaska.

Theodore Jensen, MAI, with Reliant Advisory Services appraised the “At Stabilization” Fee Simple value of the property at \$9,750,000.

This loan participation has a Loan-to-Value ratio of 75%, which is within AIDEA guidelines. Net operating income from the property will service debt payment at 1.51 times to 1, per the appraisal projections.

### Related Debt

Matt and Stacey Heilala guaranty an AIDEA participation loan for a medical office building with a balance of \$6,581,250. It has paid as agreed since origination.

### Financial Information

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

### Environmental

No issues noted.

### Market

According to the Anchorage Economic Development Corporation (AEDC), the outlook for the healthcare sector of the Anchorage job market is positive. In 2017, Anchorage’s healthcare sector posted almost 800 new jobs.

Within the Anchorage commercial real estate market, the appraiser has identified medical-office properties in the U-MED District as having a stable market with values being driven primarily by the healthcare industry. A review of Alaska MLS listings by the appraiser concluded that vacancies within the medical-office market are likely to be below 3%.

### Strengths

- Debt Service Coverage Ratio is projected to be 1.51
- Owner-tenant is a well-established medical practice
- Medical-office space in the U-MED District is in demand
- Owner/guarantors provide strong outside financial support

### Weaknesses

- No extraordinary risk beyond typical market risk

Portfolio Diversification

As of March 31, 2018, AIDEA had 22.9% of its total statewide portfolio secured by office type properties. This will increase to 24.2%. For participated loans within the Anchorage region, 33.1% of AIDEA's total portfolio is attributed to office type projects. This loan will increase office type properties to 35.3% in the Anchorage region.

Recommendation

Staff recommends approval of Loan Resolution No. L18-02 as presented.

# AIDEA Credit Presentation

<b>BORROWER:</b> MSH Enterprises, LLC	Bank: AK USA Federal Credit Union
<b>CO-BORROWER:</b>	Originating Officer: David Bennett
<b>ADDRESS:</b> 16734 Briarcliff Pointe Circle, Anchorage, AK	Loan Officer: Bill Phelan
	Date: April 18, 2018

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

<b>BUSINESS:</b> Real estate holding company	NAICS: 531120
<b>GUARANTORS:</b> Dr. Matt A. Heilala, Stacey M. Heilala, Matt A. Heilala, DPM, Inc. Matt and Stacey Heilala Living Trust, Dated June 23, 2004.	
<b>LOAN PURPOSES:</b> EE Purpose: Use of funds description	
<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	
<b>LOAN PROGRAM:</b>	
<input checked="" type="checkbox"/> Loan Participation <input type="checkbox"/> Business Assistance Program <input type="checkbox"/> OREO Sale <input type="checkbox"/> AIDEA 100% Owned	
<b>COMMITMENT TERM:</b> One year	<b>ANTICIPATED FUNDING DATE:</b> August March 10, 2019
<b>JOBS SUPPORTED /RETAINED:</b> 105 construction jobs were supported and 25 new permanent jobs supported	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
AK USA FCU	\$731,250	10%	Variable <sup>1</sup>	\$5,837.81	\$70,053.72	14 years:
AIDEA	\$6,581,250	90%	Fixed <sup>2</sup>	\$35,175.81	\$422,109.72	25 years
<b>TOTAL</b>	<b>\$7,312,500</b>			<b>\$41,013.62</b>	<b>\$492,163.44</b>	Effective Amo: 23.2 years

Related Debt	\$6,875,597
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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, 21,268 SF medical office building located 2250 E. 42 <sup>nd</sup> Ave, Anchorage Alaska	February 28, 2018	Theodore Jensen, MAI Reliant Advisory Services	9,750,000	75%

APPROVALS/DECLINES
<p>Comments:</p> <p>Loan Committee approved this participation request on April 24, 2018</p>

CONDITIONS OF APPROVAL

<sup>1</sup> Lender- 5-yr Swap Rate,

<sup>2</sup>AIDEA- 25-yr fixed rate, underwritten at 4.12%

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. L18-02**

**A RESOLUTION OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY  
REGARDING PURCHASE BY THE AUTHORITY OF A  
PARTICIPATION IN MSH ENTERPRISES, LLC -  
ANCHORAGE**

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**WHEREAS**, Alaska USA Federal Credit Union 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 MSH Enterprises, 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 subject participation is \$6,581,250.

**WHEREAS,** Alaska USA Federal Credit Union requests the Authority to purchase \$6,581,250 (90%) of the \$7,312,500 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 31<sup>st</sup> day of May 2018.



  
Chair

  
Secretary