



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: John Springsteen
CEO/Executive Director

Date: August 8, 2018

Subject: Loan Summary – Commerce Building, LLC
Loan Resolution No. L18-05

Loan Request Northrim Bank requests AIDEA’s participation of \$3,420,000 (80%) in a \$4,275,000 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$3,420,000	25 years	Fixed for 25 yrs.
Northrim Bank	\$855,000	15 years	Floating variable rate
Total	\$4,275,000		

Borrower Commerce Building, LLC

Guarantors Steve Zelener

Use of Proceeds Funding the purchase of a commercial office building.

Project 30,500 SF, Class A office building located in Anchorage.

Jobs Supported No additional jobs are supported.

Management Steve Zelener is an experienced real estate investor and consultant. He owns and manages commercial properties throughout Alaska.

Collateral and Value

Assignment of the Ground Lease and Leasehold Deed of Trust in first lien position on the improvements located at 100 Calais Drive in Anchorage. The site is subject to a ground lease with Calais Company.

Rick Richter, MAI, from Richter & Stone, appraised the “as is” market value of the Sandwich Leasehold Interest in the property at \$5,700,000.

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 1.33 times to 1, per the appraisal projections.

Related Debt

None

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 market for Class A office space in Anchorage has been strong and growing for the past 10 years. Vacancy rates have remained relatively low. Current rental rates for new Class A space is approximately \$3.10/SF per month. The existing inventory of Class A space is expected to remain stable. New construction of Class A office in the Anchorage area is unlikely in the near future. The cost of new construction exceeds the market value of the improvement.

Strengths

- Very strong financial support is available from the guarantor.
- A credit worthy tenant leases 100% of the property.
- Remaining lease term for 8-years will provide a very stable and reliable cash flow; there are two additional 5-year options; the likelihood of renewal is high.
- Debt Service Coverage Ratio of 1.33 is above the 1.25 guideline.

Weaknesses

- AIDEA's interest in the collateral is subject to a ground lease. Mitigating this concern is the remaining term of the ground lease at 55 years with options. The 55-year term is more than adequate time for the repayment of the subject loan with its 25-year term on the improvements.

Portfolio Diversification

As of June 30, 2018, AIDEA had 22.3% of its total statewide portfolio secured by office type properties. This will increase to 23.19%. For participated loans within the Anchorage region, 33.7% of AIDEA's total portfolio is attributed to office type projects. This loan will increase office type properties to 35.0% in the Anchorage region. Total dollars in the Anchorage region, as a percentage of AIDEA' total portfolio dollars statewide will increase from 47.5% to 48.0%

Recommendation

Staff recommends approval of Loan Resolution No. L18-05 as presented.

AIDEA Credit Presentation

BORROWER: Commerce Building, LLC	Bank: Northrim Ban
CO-BORROWER: None	Originating Officer: John Damjanovich
ADDRESS: 235 Botanical Circle, Anchorage, AK 99515	Loan Officer: Bill Phelan
	Date: July 18, 2018

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

BUSINESS: Real estate holding company	NAICS: 531120
GUARANTORS: Steve Zelener	
LOAN PURPOSES:	
<input type="checkbox"/> Refinance <input type="checkbox"/> New Construction <input checked="" 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: October 10, 2018
JOBS SUPPORTED /RETAINED: No construction jobs or new permanent jobs will be supported.	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
Northrim Bank	\$855,000	20%	Variable ¹	\$6,986.06	\$83,832.72	15 years
AIDEA	\$3,420,000	80%	Fixed ²	\$18,203.43	\$218,441.16	25 years
TOTAL	\$4,275,000			\$25,189.49	\$302,273.88	Effective Amo: 21.75 years

Related Debt: None

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 the ground lease estate improved with fully leased office building at 100 Calais Drive, Anchorage	May 11, 2018	Rick Richter, MAI Richter & Stone	\$5,700,000	75%

APPROVALS/DECLINES
<p>Comments:</p> <p>Loan Committee approved this participation request on July 20, 2018</p>

CONDITIONS OF APPROVAL

¹ Lender – Initial Rate 5.50% Adjustable FHLB 5 yr. + 2.75%, Floor 5.46%

²AIDEA – 20-year fixed rate, underwritten at 4.08%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L18-05

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

WHEREAS, Northrim Bank 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 Commerce Building, 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 \$3,420,000;

WHEREAS, Northrim Bank requests the Authority to purchase \$3,420,000 (80%) of the \$4,275,000 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.

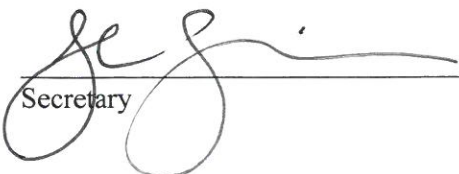
Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to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

DATED at Anchorage, Alaska on this 8th day of August 2018.





Chair



Secretary