



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Tom Boutin
CEO/Executive Director

Date: April 17, 2019

Subject: Loan Summary – MT Four LLC
Loan Resolution No. L19-02

Loan Request Northrim Bank (NRM) requests AIDEA’s participation of \$17,406,000 (80%) in a \$21,757,500 loan.

Term

Lender	Amount	Term	Structure
NRM	\$4,351,500	15 years (R/E) 10 years (FF&E)	3 yr. variable rate
AIDEA	\$17,406,000	25 years (R/E) 15 years (FF&E)	Fixed rate
Total	\$21,757,500		

Borrower MT Four LLC

Guarantor William J. and Carol K. Lawson, Christopher R. and Christine L. Ashenbrener

Use of Proceeds Refinance Northrim Bank loan for Hyatt House Hotel

Project 144 Room Hyatt House Hotel located at 251 West International Airport Road, Anchorage, Alaska. In operation since May, 2017.

Jobs Supported 51 jobs retained

Management The subject hotel will be professionally managed by Northwest x Southern Hospitality LLC.

Collateral and Value

Deed of Trust; recorded first lien position on improvements located on the subject property.

Gregory S. Wing, MAI from North Pacific Advisors, LLC appraised the facility to have a market value of \$29,010,000, which provides a 75% loan to value; this is within AIDEA guidelines. The projected net operating income for 2019 is proposed to service debt 1.43:1, per the appraisal.

AIDEA will require a UCC-1 filing on all FF&E, as well as an FF&E reserve as recommended by appraiser.

Related Debt

The borrower has one outstanding loan with AIDEA/Northrim for the Holiday Inn Express in Fairbanks with an AIDEA balance of \$5,851,639.14. Upon approval of the subject, the total outstanding debt to AIDEA will be \$23,257,639.14.

Financial Information

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

Environmental

No issues noted.

Market

Note: 2012/13 showed a drop in hotel inventory of 327 rooms:

- *Howard Johnson (246) switched to apartments*
- *Catholic Social Services purchased the Eagle's Nest America's Best Inn & Suites (31 rooms) and converted them to shelter rooms.*
- *Parkwood Inn (50 rooms) has been converted to apartments.*

The most recent added inventory is as follows:

Year	Hotel	# Rooms
2016	My Place Hotel	64
	Home2Suites	135
	APTEL Hotel	125
2017	Hyatt House	144
2018	Hyatt Place	150
	Staybridge Suites	159
2019/20	Marriott Courtyard¹	141

Home2Suites, Hyatt Place, Staybridge Suites, and Courtyard Marriott are all direct competitors; however it appears the Anchorage tourism market is growing and demand for extended stay hotels is strong. After these hotels are built, there will probably be a lag before the next round of major increases in hotel inventory, although there are a few other hotels rumored.

¹ Under construction is the Marriott Courtyard with 141 rooms located just south of the Home2Suites along C Street and will open in 2020/2021. An outstanding commitment is currently pending with a Northrim/AIDEA participated loan that expires 12/30/19.

The sectors that are not closely tied to the oil industry, such as healthcare and tourism have been performing well and are projected to see continued growth. Going forward, the Anchorage real estate market is best characterized as flat. Market participants are keeping a close eye on whether Alaska Legislature can pass a sustainable budget. They are also keeping a close eye on oil prices and population trends going forward. While there are concerns in the Alaska/Anchorage economy; the tourism sector is healthy and most hotel operators surveyed have a positive outlook for the next year and foreseeable future. In addition, the subject located in a very good location, it is new, and it has a strong franchise.

Strengths

- Professionally Managed
- Newer Construction
- Flagged hotel
- Owners have extensive experience in hotel operations

Weaknesses

- No extraordinary risk beyond typical market risk; however the tourism industry remains strong.

Portfolio Diversification – As of December 31, 2018

Total dollars in the Anchorage region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 50.54% to 51.37%. AIDEA had 15.62% of its total statewide portfolio in the Tourism industry. This will increase to 18.75%. For participated loans within the Anchorage region (a total of 2 hotel loans, and 1 pending), 10.02% is attributed to Tourism projects. This loan will increase penetration of the Tourism industry to 16.68% in the Anchorage region.

Recommendation

Staff recommends approval as presented.

AIDEA Credit Presentation

BORROWER: MT Four LLC	Bank:
CO-BORROWER:	Northrim Bank
ADDRESS: 2510 N Pines Rd. Spokane Valley, WA 99206	Date: March 22, 2019

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

BUSINESS: Hotelier	NAICS: 721110
GUARANTORS: William J. and Carol K. Lawson, Christopher R. and Christine L. Ashenbrener	
LOAN PURPOSES: EE Purpose:	
<input checked="" type="checkbox"/> Refinance <input 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: 6 Months	ANTICIPATED FUNDING DATE: May 31, 2019
ESTIMATED JOBS SUPPORTED: 51 retained jobs	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
NRIM	\$4,351,500	20%	Variable ¹	\$36,456.73	\$437,480.76	15 yrs. (R/E), 10 yrs. (FF&E)
AIDEA	\$17,406,000	80%	Fixed ²	\$95,476.29	\$1,145,715.48	25 yrs. (R/E), 15 yrs. (FF&E)
TOTAL	\$21,757,500			\$131,933.02	\$1,583,196.24	Effective Amo: 25 years

Related debt	\$5,851,639.14
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GUARANTEE	Loan Amount	Guarantee Percentage	Guarantee Amount	Rate	Payment		Term
					Monthly	Annual	
Originator							

COLLATERAL DESCRIPTION AND				
Description	Appraisal Date	Source	Appraised Value	Loan to Value
144 Room Hyatt House Hotel located at 251 West International Airport Rd.; Anchorage, Alaska	November 9, 2018	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$29,010,000	75%

<p>Comments:</p> <p>Loan Committee approved this participation request on March 25, 2019.</p>
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CONDITIONS OF APPROVAL

¹ Bank's 3 year variable rate; initially 5.57%

² AIDEA's 25 year fixed rate of 4.15% on R/E and 3.83% on FF&E

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L19-02

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN MT FOUR LLC.

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 MT Four 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 \$17,406,000;

WHEREAS, Northrim Bank requests the Authority to purchase \$17,406,000 (80%) of the \$21,757,500 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.

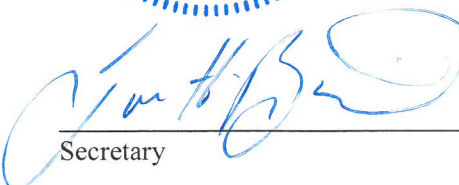
Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to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

DATED at Anchorage, Alaska on this 17th day of April, 2019.





Chair



Secretary