



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Tomas Boutin
Executive Director

Date: May 22, 2019

Subject: Loan Summary – RSD Properties, LLC – 2nd Avenue
Loan Resolution No. L19-04

Loan Request Alaska USA FCU requests AIDEA’s participation of \$1,746,000 (90%) in a \$1,940,000 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$1,746,000	25 years	Fixed for 25 yrs.
AK USA FCU	\$194,000	15 years	Variable for 15 yrs.
Total	\$1,940,000		

Borrower RSD Properties, LLC

Guarantors Robin O. Brena

Use of Proceeds Refinance existing term debts held by the Lender and secured by the collateral.

Project Two-story, office building with 16,671 SF located in the downtown business district of Anchorage.

Job Creation No construction or new permanent jobs will be supported.

Management Robin O. Brena, managing member, is an experienced commercial real estate owner and successful business person.

Collateral and Value

First Deed of Trust on the improvements located at 750 W. 2nd Avenue, Anchorage, AK. The improvements consist of 19,671 SF, Class B Office building. The two-story, office building, was built in 1972.

Steve MacSwain, MAI, with MacSwain Associates, LLC, appraised the “Leased Fee” market value of the property at \$2,800,000.

This loan participation has a Loan-to-Value ratio of 69%, which is within AIDEA guidelines. Projected debt service coverage is 1.69 times to 1.

Related Debt

Robin Brena currently guarantees another loan participation to RSD Properties, LLC in the amount of \$1,317,021. The loan is current and has been paying as agreed. This participation balance will be paid off with another pending loan participation request.

Concurrently with this request, AIDEA is being requested to take \$5,400,000 in loan participations for two new loans to RSD Properties. Assuming all three loans are funded, AIDEA’s collective loan participations with RSD Properties, LLC and Robin Brena will total \$7,146,000.

Financial Information

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

Environmental

No issues noted.

Market

The overall vacancy rates A & B space in Anchorage is about 11.0%. Class B vacancy increased in 2018 due to the vacant Legislative Information Office (LIO) on 4th Avenue. With the leasing of the LIO building by the Anchorage Police Department, the overall vacancy rate in the area should be reduced. The subject property with its amenities is well placed in the Class B market as indicated by its 8% vacancy rate.

Strengths

- Loan to Value at 69% is deemed as sufficiently secured.
- Collateral is well located near the Anchorage courthouse.
- Occupancy is diversified, which is considered a positive attribute.
- Debt Service Coverage Ratio of 1.69 is above the 1.25 guideline.
- Strong outside financial support is available from the guarantor.

Weaknesses

- No extraordinary risk beyond typical real estate market cycles.

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 46.9% to 47.1%. AIDEA had 21.3% of its total statewide portfolio secured by office type properties. This will increase to 21.7%. For participated loans within the Anchorage region, 32.8% of the Anchorage portfolio is attributed to office type projects. This loan will increase penetration of the office type properties to 33.4% in the Anchorage region.

Recommendation

Staff recommends approval of Loan Resolution No. L19-04 as presented.

AIDEA Credit Presentation

BORROWER:	RSD Properties, LLC - 2 nd Avenue	Bank: Alaska USA FCU
CO-BORROWER:	None	Originating Officer: David Bennett
ADDRESS:	810 N Street, Suite 100 Anchorage, AK 99501	Loan Officer: Bill Phelan
		Date: April 5, 2019

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

BUSINESS:	Real estate holding company	NAICS: 531120
GUARANTORS:	Robin O. Brena	
LOAN PURPOSES:	<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:	Six months	ANTICIPATED FUNDING DATE: June 10, 2019.
JOBS SUPPORTED /RETAINED:	No construction jobs or new permanent jobs will be supported.	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
AK USA FCU	\$194,000	10%	Variable ¹	\$1,549.34	\$18,592.08	15years:
AIDEA	\$1,746,000	90%	Fixed ²	\$9,2225.67	\$110,708.04	25 years
TOTAL	\$1,940,000			\$10,775.01	\$129,300.12	Effective Amo: 25 years
Related Debt	Existing Debt \$1,317,021 Total New Debt Proposed \$7,146,000					

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 16,671 SF office building located at 750 West 2 nd Avenue, Anchorage, AK	July 31, 2018	Steve MacSwain, MAI, MacSwain Associates, LLC	\$2,800,000	69%

APPROVALS/DECLINES
<p>Comment:</p> <p>Loan Committee approved this participation request on April 11, 2019</p>

CONDITIONS OF APPROVAL

¹ Lender – 5-yr ISDA SWAP index rate + 2.35, underwritten at 5.15%

² AIDEA – 25-year rate, underwritten at 4.01%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L19-04

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN RSD PROPERTIES, LLC – 2nd AVENUE.

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 RSD Properties, LLC – 2nd Avenue (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 three proposed collective debts will total \$7,146,000 with the approval of Resolutions No. L19-03, No. L19-04, and No. L19-05.

WHEREAS, Alaska USA Federal Credit Union requests the Authority to purchase \$1,746,000 (90%) of the \$1,940,000 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 22nd day of May 2019.



Secretary

Chair