



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Tomas Boutin
Executive Director

Date: May 22, 2019

Subject: Loan Summary – Sun Mountain Development Group, LLC –
Unit A (Planet Fitness)
Loan Resolution No. L19-06

Loan Request Northrim Bank requests AIDEA's participation of \$3,847,500 (90%) in a \$4,275,000 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$3,847,500	25 years	Fixed for 25 yrs.
Northrim Bank	\$427,500	10 years	Variable for 10 yrs.
Total	\$4,275,000		

Borrower Sun Mountain Development Group, LLC, Unit A.

Guarantors A & C Investments, AMG & Associates, LLC, Alexis M. Gevorgian Jr., Odet Najarian, H5 Construction, LLC, Cameron J. Johnson, James E. Hacker, Lisa J. Hacker, Daniel E. Hacker, Jodi M. Hacker, Twenty Eight Inv., LLC, Andrew A. Ingram and Shannon M. Ingram.

Use of Proceeds Term financing for a newly built fitness center in Wasilla. Proceeds will payoff construction financing with Northrim Bank.

Project Newly constructed, Planet Fitness Center is located in the core-business area of Wasilla.

Job Creation 125 construction and 25 new permanent jobs will be supported.

Management The principal owners, Alexis M. Gevorgian Jr., Cameron J. Johnson, and Andrew A. Ingram, are all seasoned commercial real estate owners and successful business persons.

Collateral and Value

First Deed of Trust on the improvements located at Unit A, of The Shoppes At Sun Mountain, a site condominium project in Wasilla. The improvements will consist of a newly-constructed fitness center with 25,000 SF. It will be completed with Planet Fitness design attributes. These would include an open layout for fitness equipment, specialized training areas and locker rooms.

Greg Wing, MAI, with North Pacific Advisors, LLC, appraised the “Leased Fee” market value of the property at \$5,700,000 with stabilized occupancy.

This loan participation has a Loan-to-Value ratio of 75%, which is within AIDEA guidelines. Projected debt service coverage is 1.48 times to 1.0.

Related Debt

Concurrently with this request, Sun Mountain Development Group, LLC is requesting AIDEA to participate in two other loans. Assuming the three participations are approved and closed, AIDEA’s loan relationship with the borrower will total \$7,009,200.

AIDEA has two other loan participation commitments (not funded) with guarantors of the subject participation request. These loans total \$3,947,624.

AIDEA’s maximum loan participation to the related guarantor will be \$10,956,825, when all loans are funded.

Financial Information

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

Environmental

No issues noted.

Market

The Wasilla area has only two major health clubs, Body Renew and the Alaska Club. The Planet Fitness franchise has a proven business model to compete with other fitness centers. Membership in these types of fitness centers is expected to increase as the Mat-Su area population continues to grow.

Strengths

- Newly constructed collateral.
- Tenant lease is for a minimum of 10 years with (2) 5 yr. options; franchisees will personally guaranty the lease.
- Franchise owners are very experienced and are expanding in the Alaska market.
- Debt Service Coverage Ratio of 1.48 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 March 31, 2019, total dollars in the Mat-Su region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 17.7% to 18.4%. AIDEA had 19.8% of its total statewide portfolio secured by retail type properties. This will increase to 20.7%. For participated loans within the Mat-Su region, 15.2% of the portfolio is attributed to retail type projects. This loan will increase penetration of the retail type properties to 19.2% in the Mat-Su region.

Recommendation

Staff recommends approval of Loan Resolution No. L19-06 as presented.

AIDEA Credit Presentation

BORROWER: Sun Mountain Development Group, LLC–Unit A (Planet Fitness)	Bank: Northrim Bank
CO-BORROWER: None	Originating Officer: Sue Wolf
ADDRESS: 1663 Ventura Blvd, Suite 1014, Encino, CA 91436	Loan Officer: Bill Phelan
	Date: May 6, 2019

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

BUSINESS: Real estate holding company owned by the guarantors	NAICS: 531120
GUARANTORS: A & C Investments, AMG & Associates, LLC, Alexis M Gevorgian Jr., Odet Najarian, H5 Construction, LLC, Cameron J. Johnson, James E. Hacker, Lisa J. Hacker, Daniel E. Hacker, Jodi M. Hacker, Twenty Eight Inv., LLC, Andrew A. Ingram and Shannon M. Ingram.	
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: One year	ANTICIPATED FUNDING DATE: April 10, 2020
JOBS SUPPORTED /RETAINED: 125 construction jobs and 25 new permanent jobs will be supported.	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
Northrim	\$427,500	10%	Variable ¹	\$4,635.26	\$55,623.12	10 years:
AIDEA	\$3,847,500	90%	Fixed ²	\$20,308.52	\$243,702.24	25 years
TOTAL	\$4,275,000			\$24,943.78	\$299,325.36	Effective Amo: 21.5 years

Related Debt Committed/Unfunded \$3,947,625; 3 Proposed Loans \$7,009,200; Fully Funded \$10,956,825

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 25,000, SF fitness center located at NHN Sun Mountain Avenue, Wasilla, AK	March 3, 2019	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$5,700,000	75%

APPROVALS/DECLINES
<p>Comment:</p> <p>Loan Committee approved this participation request on May 10, 2019</p>

CONDITIONS OF APPROVAL

¹ Lender – 3 yr. FHLB index; Initial rate 5.48%

² AIDEA – 20-year rate, underwritten at 4.0%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L19-06

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN SUN MOUNTAIN DEVELOPMENT GROUP, LLC – UNIT A (PLANET FITNESS).

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 Sun Mountain Development Group, LLC – Unit A, (Planet Fitness) (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 \$3,847,500;

WHEREAS, Northrim Bank requests the Authority to purchase \$3,847,500 (90%) 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.

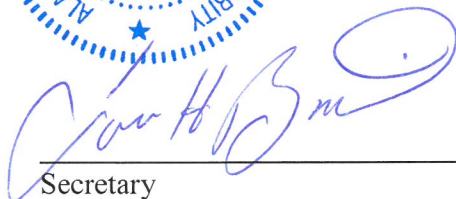
Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to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

DATED at Anchorage, Alaska on this 22nd day of May 2019.



Chair





Secretary