



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Tomas Boutin
CEO/Executive Director

Date: June 26, 2019

Subject: Loan Summary – Land’s End Acquisition Corporation
Loan Resolution No. L19-10

Loan Request Northrim Bank requests AIDEA’s participation of \$4,230,000 (90%) in a \$4,700,000 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$4,230,000	22.5 years	Fixed for 22.5 yrs.
Northrim Bank	\$470,000	15 years	Variable for 15 yrs.
Total	\$4,700,000		

Borrower Land’s End Acquisition Corporation

Guarantors Jonathan and Sara Faulkner Living Trust, Jonathan Faulkner, Sara Faulkner, and Steve Agni.

Use of Proceeds Term financing for a 33-room expansion of the Land’s End Resort in Homer. The borrower has owned it since 1988.

Project Land’s End Resort in Homer with 117-rooms, restaurant/lounge area, and meeting facilities.

Job Creation 48 construction and 8 new permanent jobs will be supported.

Management Jonathan Faulkner and Sara Faulkner have successfully developed and managed the project since the acquisition.

Collateral and Value

First Deed of Trust on the Land's End Resort located at 4786 Homer Spit Road in Homer, AK
The improvements will consist of 117 hotel rooms, with a gross area of 79,458 SF.

Gregory S. Wing, MAI from North Pacific Advisors, LLC appraised the facility to have a market value of \$13,500,000, which provides a 35% loan to value; this is within AIDEA guidelines. The projected net operating income for 2020 is proposed to service debt at 4.01:1, per the appraisal.

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

Related Debt

Steve Agni currently guarantees another AIDEA loan participation to O'Malley Ice and Sports Center, LLC, in the amount of \$6,642,260. The loan is current and has been paying as agreed. Upon approval of the subject loan, the total debt to AIDEA will be \$10,872,260.

AIDEA has three paid loans to the borrower, with balances totaling \$5,990,000. Steve Agni has two paid loans with AIDEA, totaling \$6,950,000. All loans have paid as agreed.

Financial Information

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

Environmental

No issues noted.

Market

The hotel/tourism market in Homer is very seasonal. It generally runs between May 15 and September 15. A large portion of the Homer motels and B&Bs operate only during the summer season.

The Homer market is currently split between 11 hotels/motels with a 335-room inventory. The inventory will expand by 104 rooms this summer. The increase in rooms is attributed to the 33-room expansion at Land's End and a new Aspen Suites with 71-rooms in the Homer business district.

The new rooms will impact the Homer hotel market, especially for the rooms in the core area of the city. However, Land's End has a one of a kind destination location with commanding views, which will reduce the impact of the new competition on its occupancy rate. Further, its experienced management team is well-qualified to address the increase in competition.

Strengths

- Very strong DSCR of 4.01. Well above the 1.25 guideline.
- Very low Loan-to-Value of 35%. Substantially below the 75% maximum in regulations.
- Excellent location of the collateral with its unique setting.
- Expansion of a well-established and profitable hotel.
- Seasoned management team and owners.

Weaknesses

- Primary revenue for the project comes from seasonal tourism. Mitigating this risk is the very low debt-servicing requirement, which allows the borrower to weather fluctuations in tourism spending and occupancy. Further, Alaska tourism trends have shown positive growth in recent years, and the collateral's unique location makes it a top rated location.

Portfolio Diversification

As of March 31, 2019, total dollars in the Gulf region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 4.4% to 5.3%. AIDEA had 11.4% of its total statewide portfolio secured by tourism type properties. This will increase to 12.2%. For participated loans within the Gulf region, 54.1% of the Gulf region portfolio is attributed to tourism type projects. This loan will increase penetration of tourism type properties to 62.5% in the Gulf region.

Recommendation

Staff recommends approval of Loan Resolution No. L19-10 as presented.

AIDEA Credit Presentation

BORROWER: Land's End Acquisition Corporation	Bank: Northrim Bank
CO-BORROWER: None	Originating Officer: Phillip Reid
ADDRESS: 4786 Homer Spit Road Homer, AK 99603	Loan Officer: Bill Phelan
	Date: June 5, 2019

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

BUSINESS: Real estate holding company	NAICS: 721110
GUARANTORS: Jonathan and Sara Faulkner Living Trust, Jonathan Faulkner, Sara Faulkner, and Steve Agni.	
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: Six months	ANTICIPATED FUNDING DATE: October 10, 2019
JOBS SUPPORTED /RETAINED: _48 construction jobs and 8 new permanent jobs will be supported.	

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
Northrim	\$470,000	10%	Variable ¹	\$4,029.89	\$48,358.68	15 years:
AIDEA	\$4,230,000	90%	Fixed ²	\$22,614.11	\$271,369.32	22.5 years
TOTAL	\$4,700,000			\$26,644.00	\$319,728.00	Effective Amo: 22.5 years

Related Debt	\$6,642,260
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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 117-room hotel located at 4786 Homer Spit Road in Homer.	September 28, 2018	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$13,500,000 (incl. FF&E)	35%
First lien on Furniture, Fixtures and Equipment	September 28, 2018	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$440,000	Included above

APPROVALS/DECLINES
Comments: Loan Committee approved this participation request on June 7, 2019.

CONDITIONS OF APPROVAL

¹ Lender – 5 year variable rate, initial rate 6.25%

² AIDEA – 20-year fixed rate, underwritten at 3.48%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L19-10

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN LAND'S END ACQUISITION CORPORATION.

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 Land's End Acquisition Corporation (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 staff of the Authority;

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 \$4,230,000;

WHEREAS, Northrim Bank requests the Authority to purchase \$4,230,000 (90%) of the \$4,700,000 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 26th day of June, 2019.





Chair



Secretary