



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Tom Boutin
Executive Director

Date: January 15, 2020

Subject: Loan Summary – Island Holdings, LLC
Loan Resolution No. L20-01

Loan Request: First National Bank Alaska (FNBA) requests AIDEA’s participation of \$6,497,190 (90%) in a \$7,219,100 loan.

Term

Lender	Amount	Term	Structure
FNBA	\$721,910	12.50 years	3 yr. variable rate
AIDEA	\$6,497,190	25 years	Fixed rate
Total	\$7,219,100		Includes accelerated amortization

Borrower Island Holdings, LLC

Guarantor Susan M. Johnson and Daniel K. Gilbert

Use of Proceeds Payoff FNBA loan

Project Equity extraction to refinance the 38-room Kodiak Compass Suites

Jobs Supported 10 new jobs created

Management Susan Johnson has been managing the Best Western Hotel for over 12 years. Susan and her husband, Dan Gilbert currently own and manage several commercial retail buildings, a duplex and two single-family homes. Together, they will manage the newly completed Kodiak Compass Suites.

Collateral and Value

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

Gregory S. Wing, a real estate appraiser for North Pacific Advisors, LLC appraised the facility to have a market value of \$10,030,000 (R/E) and \$230,000 (FF&E), which provides a 72% loan to value; this is within AIDEA guidelines. The projected net operating income for the first year is proposed to service debt 1.98:1, per the appraisal.

Related Debt

None

Financial Information

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

Environmental

No issues noted.

Market

A major sector of the local economy which drives short term demand for hotels and long term demand for housing is the Kodiak US Coast Guard facility. This facility has undergone recent expansion and will remain as a growing factor in the economy. The market has rebounded in the past several years and is forecast to remain steady as long as the Alaskan and National economies remain strong.

Strengths

- Professionally Managed, with good historical operating history
- Low LTV of 72%
- Flagged hotel – Best Western
- Good downtown location

Weaknesses

- No extraordinary risk beyond typical market risk.

Portfolio Diversification – As of September 30, 2019

Total dollars in the Gulf region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 4.35% to 5.80%. AIDEA had 12.00% of its total statewide portfolio in the Tourism industry. This will increase to 13.34%. For participated loans within the Gulf region, 55.1% is attributed to Tourism projects, which consists of three hotels currently financed. This loan will increase penetration of the Tourism industry to 66.9% in the Gulf Region.

Amendment 1/15/2020: Additional Conditions

1. An AIDEA physical inspection of the borrower's property; condition acceptable to the Authority.
2. An environmental assessment of the borrower's property including the condition of the underground storage tank, and the borrower's plan to replace the tank; acceptable to the Authority.
3. AIDEA review of the borrower's franchise agreement with Best Western; acceptable to the Authority.

Recommendation

Staff recommends approval as amended.

AIDEA Credit Presentation

BORROWER: Island Holdings, LLC	Bank:
CO-BORROWER:	First National Bank Alaska
ADDRESS: Box 2531 Kodiak, AK 99615	Date: December 4, 2019

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

BUSINESS: Hotelier	NAICS: 721110
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GUARANTORS: Susan M. Johnson and Daniel K. Gilbert

LOAN PURPOSES:	EE Purpose: Financing for Kodiak Compass Suites
<input type="checkbox"/> Refinance <input type="checkbox"/> New Construction <input type="checkbox"/> Acquisition <input type="checkbox"/> Assumption <input checked="" 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
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COMMITMENT TERM: 6 Months	ANTICIPATED FUNDING DATE: April 15, 2020
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ESTIMATED JOBS SUPPORTED: 10 new jobs created
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PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
FNBA	\$721,910	10%	Variable ¹	\$6,665.80	\$79,989.60	12.50 years
AIDEA	\$6,497,190	90%	Fixed ²	\$32,109.82	\$385,317.84	25 years
TOTAL	\$7,219,100			\$38,775.62	\$465,307.44	Effective Amo: 22.50 years

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
82-Room Best Western Kodiak Inn Kodiak, AK	April 3, 2019	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$10,030,000 (R/E) \$230,000 (FF&E)	72% R/E only

Comments:

Loan Committee approved this participation request on November 8, 2019.

CONDITIONS OF APPROVAL

¹ Bank's 3 year variable rate; initially 5.75%

² AIDEA's 20 year fixed rate of 3.82%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L20-01

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN ISLAND HOLDINGS, LLC.

WHEREAS, First National Bank Alaska, 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 Island Holdings, 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 \$6,497,190;

WHEREAS, First National Bank Alaska requests the Authority to purchase \$6,497,190 (90%) of the \$7,219,100 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:

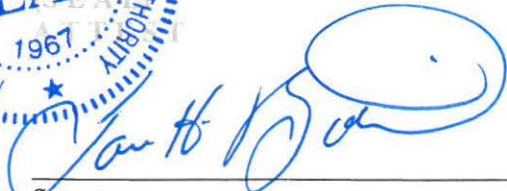
Section 1. The Authority's purchase of the participation in the Loan as described in the Memorandum is approved, subject to the satisfaction of the conditions recommended by staff as set forth in the Memorandum, specifically including: (1) the Authority completing a physical inspection of the borrower's property and the Authority being satisfied with the results; (2) an environmental assessment being completed to assess the borrower's property, the condition of the underground storage tank, and the borrower's plans to replace the tank, and the Authority being satisfied with the results; and (3) the Authority reviewing the borrower's franchise agreement with Best Western and the Authority finding the agreement to be acceptable. 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 15th day of January, 2020.



Chair



Secretary

