

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

**RESOLUTION NO. L22-03**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY REGARDING PURCHASE BY THE  
AUTHORITY OF A PARTICIPATION IN ARTILLERY PARK, LLC**

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**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 Artillery Park, LLC (the “Loan”) under the Authority’s loan participation program (AS 44.88.155 et seq., “Enterprise Development Account”);

**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 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 99.390(c);

**WHEREAS**, it is the Authority’s policy that the purchase of the 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; and

**WHEREAS**, the dollar amount of the Authority’s subject participation in the Loan is \$2,763,805, and the aggregate amount of the Authority’s participation in loans or project

investments to companies owned or controlled by the guarantors is \$7,546,319, thereby requiring approval by the Authority's Board ;

**WHEREAS**, Northrim Bank requests that the Authority purchase \$2,763,805 (90%) of the \$3,070,895 Loan; and

**WHEREAS**, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to the 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 and the Commercial Finance Director 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, this 14<sup>th</sup> day of September, 2022.

ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY



  
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Chair

  
\_\_\_\_\_  
Secretary



## MEMORANDUM

**To:** Board Members  
Alaska Industrial Development and Export Authority

**From:** Alan Weitzner  
Executive Director

**Date:** September 14, 2022

**Subject:** Loan Summary – Artillery Park, LLC  
Resolution No. L22-03

Loan Request Northrim Bank (Northrim) requested AIDEA’s participation of \$2,763,805 (90%) in a \$3,070,895 loan, refinancing an existing Northrim term loan.

Term

Lender	Amount	Term	Structure
Northrim	\$307,090	10 years	5 yr. variable rate, FHLB-Boston + 2.00%, adjusting every 5 years
AIDEA	\$2,763,805	25 years	Fixed rate (5.01%)
Total	\$3,070,895		Includes accelerated amortization

Borrower Artillery Park, LLC

Guarantor Eklutna Development Services, LLC and EKLUTNA INC.

Use of Proceeds Refinance majority non-owner occupied retail building in Eagle River, AK.

Project 10930 Mausel Street, Eagle River, AK 99577.

Jobs Supported 10 temporary construction jobs created; 4 new permanent jobs created and 9 jobs retained.

## Management

Artillery Park, LLC is a real estate holding company organized in 2014 owned 100% by Eklutna Development Services, LLC. The company was created to hold title of the subject collateral property. Eklutna Development Services, LLC is owned by EKLUTNA, INC., which was created under the Alaska Native Claims Settlement Act in 1972. The collateral will be managed by Noah Kramer who serves as the Real Estate and Property Coordinator for Eklutna Development Services, LLC.

## Collateral and Value

AIDEA's loan officer, Ingrid St John, visited the property in August 2022. The collateral consists of two, one-story, Class "D" buildings, totaling 31,100 SF of net rentable area (NRA) on 2.5 acres, built in 2014. It is located off the west side of the Old Glenn Highway near the middle Eagle River exit. A Deed of Trust with an Assignment of Rents in a first lien position will secure the loan. In addition, an assignment of leases will be required.

Brandy Eber, with Arctic Appraisal Company appraised the project as of June 8, 2022. She concluded the project has a market value of \$6,500,000.

Due to the good quality construction and condition of the subject property, the appraiser estimates the remaining economic life of the collateral at 50 years. AIDEA regulations state the proposed note's term cannot exceed 75% of the life of the collateral, therefore this is within regulations.

The project is 85% non-owner occupied by a mixture of recreation, brewery, and retail establishments. The projected net operating income for the first year to proposed debt service is 1.96:1; based upon the tenant's current leases.

The guarantor, EKLUTNA, INC. is also the largest private landowner in the Municipality of Anchorage. The guarantor owns over 90,000 acres in the Municipality of Anchorage (MOA) including areas of Eagle River, Birchwood, Chugiak, Peters Creek and Eklutna. Additionally, the Corporation has significant holdings in the Matanuska-Susitna Borough with approximately 67,000 additional acres due to be conveyed from the Bureau of Land Management. Currently, the borrower pays \$51,373 in property taxes to the Municipality.

## Related Debt

- 1) In October 2010, AIDEA's Investment Committee approved EKLUTNA, INC. funding of \$2,549,442 (Loan No. 1810720). Current balance is \$1,106,425; loan has paid as agreed.
- 2) In July 2012, AIDEA's Investment Committee approved EKLUTNA, INC. funding of \$1,260,000 (Loan No. 3100972). Current balance is \$920,905; loan has paid as agreed.
- 3) In October 2016, AIDEA's Board approved Eklutna 5<sup>th</sup> Avenue Properties, LLC funding of \$2,340,000 (Loan No. 3116040) under Resolution No. L16-11. Current balance is \$2,016,515; loan has paid as agreed.

- 4) In September 2020, AIDEA’s Board approved Eklutna Services, LLC funding of \$863,100 (Loan No. 3120034) under Resolution No. L20-02. Current balance is \$738,668; loan has paid as agreed.

<b>Loan</b>	<b>Balance</b>
Eklutna 5 <sup>th</sup> Avenue Properties LLC	\$2,016,515
Eklutna Services, LLC	\$ 738,668
EKLUTNA, INC.	\$1,106,425
EKLUTNA, INC	\$ 920,906
<u>Proposed Note</u>	<u>\$2,763,805</u>
<b>Aggregate Exposure</b>	<b>\$7,546,319</b>

### Financial Information

Specific confidential financial information has been provided to Board members under separate cover.

### Environmental

No issues noted. A Phase I environmental site assessment was prepared by Travis & Peterson Environmental Consulting, Inc. on the collateral in 2014 in preparation for development. Based on the site inspection and the data research of the subject and surrounding area, inspectors concluded that the probability of “recognized environmental conditions” existing at the subject property are low. A Vera Check and Environmental Questionnaire was provided dated July 28, 2020 detailing a subject site activity due to the brewery tenant. The tenant has provided certification stating the facility discharges only to the sanitary sewer.

AIDEA staff conducted a site visit in August 2022 and observed no concerns with the property.

### Market

The income and population demographics for the Subject neighborhood exhibit above average characteristics in terms of reported population growth and income levels. The population growth for the subject’s 3-mile radius has increased 4.70% since 2010 and based on the projections provided by Environmental Systems Research Institute (ESRI); it is expected to continue to increase another (0.43%) during the next 5 years. Lastly, the appraiser indicated that since average household incomes are above the national average (\$120,833, for the subject’s 3-mile radius) and given that the area is well-populated (7,844 households in a 3-mile radius), developments like the subject should be adequately supported.

In summary, the Subject neighborhood is located outside the core business district in Eagle River. The Subject property’s location is about one mile southwest of the center of the commercial district. The prior development has been a mixture of commercial and residential uses and characteristics of the neighborhood support this type of use. The access and infrastructure development is good. Overall, the Subject’s neighborhood is considered a positive influence. The characteristics are well established and are unlikely to change in the near future.

*(The national average for retail vacancy for the first quarter 2022 was 4.5%, while Anchorage was reported at 3.6%.<sup>1</sup>)*

Portfolio Diversification As of July 31, 2022

**Prior to Proposed Loan:**

Anchorage Region:	\$ 164,167,373	42%
Collateral (Building Class D):	\$ 23,807,101	6%
Repayment Industry (Recreation):	\$ 26,277,135	6%
Aggregate Exposure:	\$ 4,782,513	1%

**After Proposed Loan:**

Anchorage Region:	\$ 166,931,209	43%
Collateral (Building Class D):	\$ 26,570,909	7%
Repayment Industry (Recreation):	\$ 29,040,940	7%
Aggregate Exposure:	\$ 7,546,319	2%

**Lead Underwriter Comments:**

Northrim has approved this loan due to the strong financial support and experience of the developers/management team and the potential for further new businesses.

**Recommendation:**

The collateral is in excellent condition with a high marketability in the growing Eagle River area. It is occupied by quality, long-term tenants and the guarantors have diverse revenue streams with sufficient net worth to support the collateral. This project will create 10 temporary construction jobs, 4 permanent jobs and retain a further 9 jobs for Alaskans. AIDEA staff recommends approval of the loan participation as proposed with the following conditions:

Covenants:

- 1) Annual Lender Certification of Compliance of Loan Covenants.
- 2) Project and Borrower DSCR to not fall below 1.25 at any time.
- 3) Financial Statements (to include Rent Roll and Debt Service Schedule)/Tax returns are provided on an annual basis to AIDEA within 60 days of filing.
- 4) Any new debt encumbered by the Borrower will need to first be approved by the Lender.

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<sup>1</sup> National Association of Realtors

Conditions:

1. 1<sup>st</sup> DOT with Assignment of Rents.
2. Assignment of Leases.
3. All leases shall be subordinate to Lender's Deed of Trust.
4. Certification of Employment Data REQUIRED AT TIME OF FUNDING.
5. Subordination Non-Disturbance/Attornment Agreements (SNDA) with Tenant Estoppel Certificates, where are permitted, subject to the Authority of form and substance.