

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

**RESOLUTION NO. L24-02**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY REGARDING PURCHASE BY THE  
AUTHORITY OF A PARTICIPATION IN ALASKA HOTEL GROUP,  
239 W. 4<sup>TH</sup> AVENUE, LIMITED PARTNERSHIP**

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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 Alaska Hotel Group, 239 W. 4<sup>th</sup> Avenue, Limited Partnership (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 \$25,000,000, and the aggregate amount of the Authority's participation in loans or project investments to companies owned or controlled by the guarantors is \$25,000,000, thereby requiring approval by the Authority's Board;

**WHEREAS**, Northrim Bank requests that the Authority purchase \$25,000,000 (70%) of the \$35,631,000 Loan; and

**WHEREAS**, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to the covenants and 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 Chief Lending Officer 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 24th day of January 2024.

ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY



SEAL  
ATTES

*S. D. [Signature]*

Chair

*[Signature]*

Secretary



**MEMORANDUM**

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

**From:** Randy Ruaro  
Executive Director

**Date:** January 24, 2024

**Subject:** Loan Summary – Alaska Hotel Group, 239 W. 4<sup>th</sup> Avenue, Limited Partnership  
Resolution No. L24-02

Loan Request Northrim Bank (Northrim) requested AIDEA’s participation of \$25,000,000 (70%) in a \$35,631,000 loan.

Term

Lender	Amount	Term	Structure
Northrim	\$10,631,000	10/20 years	5 yr. variable rate, FHLB-Boston + 3.00%, adjusting every 5 years
AIDEA	\$25,000,000	25 years	Fixed rate (5.69%)
Total	\$35,631,000		Includes accelerated amortization

Borrower Alaska Hotel Group, 239 W. 4<sup>th</sup> Avenue, Limited Partnership

Guarantor Mash, LLC; Mark Begich; Sheldon Fisher; “Special Purpose Entity” (TBD)

Use of Proceeds Long term financing of newly renovated nationally branded franchise boutique hotel “Wild Birch” in Anchorage, AK.

Project Refinance 239 W. 4<sup>th</sup> Avenue, Anchorage, AK 99501

Jobs Supported 147 temporary construction jobs and 245 permanent direct, induced, and indirect jobs created.

## Management

The Alaska Hotel Group (AHG) was established in 2020 to acquire and renovate a hotel located in downtown Anchorage that previously operated as the “Aviator.” The company is owned by 26 different partners; only one has a general partnership and manages the entity (MASH, LLC owned 50/50 by Sheldon Fisher, and Mark Begich). All owners exceeding 10% or more in ownership are guarantors on the proposed loan. The hotel will operate under a nationally branded franchise flag.

Springboard Hospitality: AHG will not operate the hotel business, fellow owner OLS Hotel & Resorts LLC, also known as Springboard Hospitality will manage the hotel daily operations. OLS has provided hospitality management services for over 30 years and currently operates 36 properties across the western United States. Springboard focuses its brand on boutique independent hotels with technological innovation for owners, employees, and guests.

## Collateral and Value

AIDEA staff conducted a site visit of the property in January 2024. The “as is” improvements include a non-franchise hotel that was built in 1970. The existing building is a three-story (note portion of lower level partially underground), concrete/steel structure, with a concrete block foundation. The property has an irregular shape with three distinct wings. In the past the property has operated as a Holiday Inn and later as a Howard Johnson Plaza. Most recently (since the prior 2012 sale), the subject has operated as a non- franchise hotel under the name The Lofts and later The Aviator Hotel. Currently, the subject is being used as low-income housing via a contract with the Municipality of Anchorage through April 2024. This program is part of the COVID-19 recovery act.

The loan will be secured by a Deed of Trust with an Assignment of Rents in a first lien position and an Assignment of Lease will be required. In addition, a UCC-1 Financing Statement on Furniture, Fixtures and Equipment (FF&E), a Second Deed of Trust on the Parking Lot identified as Lot 3A, Block 23, and an Assignment of Hotel Management Contract will also be included as collateral.

“At Completion”, the subject will undergo a major transformation, including the pool area which will be converted to four large suites. It will be a complete remodel; the footprint will increase by 1,688 SF and the guestroom count will be increased to 252 rooms. Phase 1, which includes Wings A and B is to be completed on or by mid-June, 2024 with a total of 165 rooms, restaurant, conference center and bar. Phase 2 is expected to be completed on or by August of 2024 with a total of 87 rooms and final lobby renovations. Note, a limited services open of 60 rooms will occur by February 2024, but the property will not have completed the franchise level requirements. Rooms range from 285-310 SF and suites range from 500-600 SF. There will be 187 King size bedrooms, 55 double bedrooms, six suites and four murphy bedrooms. Floor 1 will include the brewery and tasting room, conference rooms, and back office areas. Floor 2 will include the Kitchen, Restaurant, Lobby, and convenience/gift shop. “At completion”, subject will be converted to a first tier, full-service facility and will be flagged under a national branded franchise. Its appeal will be customized, having a modern yet rustic Alaskan appeal. It will represent the upper tier of the Downtown Anchorage hotel market. Total gross building area will be increased from 138,897 SF to 140,585 SF.

Gregory S. Wing, MAI, with North Pacific Advisors, LLC appraised the project as of May 21, 2023. He concluded the project has a stabilized market value of \$67,250,000.

Due to the quality of construction and condition at completion of the subject property, the appraiser estimates the remaining economic life of the collateral at 40 years. AIDEA regulations state the proposed note's term cannot exceed 75% of the life of the collateral, therefore this is within regulations.

The projected net operating income for the first year to proposed debt service exceeds the minimum required standard of 1.25:1; based upon the proforma.

Related Debt

None.

<b>Loan</b>	<b>Balance</b>
Proposed Note	\$25,000,000
<b>Aggregate Exposure</b>	<b>\$25,000,000</b>

Financial Information

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

Environmental

No issues noted. The Lender provided a third party environmental assessment dated August 19, 2022, which showed low risk and no items of concern. A Phase 1 was conducted for the collateral property on October 3, 2022 and concluded subject and surroundings were deemed to not pose an environmental risk. No further actions recommended.

In a report conducted by Nortech dated June 24, 2022, with regards to the presence of asbestos, it was indicated that the remodeled parts of the building showed no presence of asbestos. AIDEA staff visited the property in January 2024 and found no environmental concerns.

Market

According to market competitors and local industry trackers like the Anchorage Economic Development Corporation (AEDC), downtown Anchorage hotels were selling out their summer season by January 2023. 2022 reached the historical record of visitors set in 2019 of \$2.15 million and 2023 final numbers are expected to be higher. This is due to pent up travel demand as a result of the COVID-19 pandemic. Premier Alaska Tours, a major operator in the State, reports their bookings increased between 5 to 10% from 2022 to 2023. Anchorage Gross Hotel Revenue for 1<sup>st</sup> Quarter 2023 is up 3.2% over the same period last year, with the greatest increase coming from the upper class hotel segment. While the past couple of years have seen some new mid-town

Anchorage hotels constructed, the luxury boutique market remains largely untouched, especially in the downtown area. The appraiser states historical summer occupancy in Alaska around 80% with winter levels hovering between 40 to 70%. New hotels tend to perform better in the market at around 10% more. The ACVB reports shows average summer occupancy rates near 90% with mid-winter around 50-67%. AEDC completed an impact report on the proposed hotel and estimated the total monetary impact of the project for the area is \$65,235,720. This project would provide a significant boost in jobs and ancillary benefits felt around the city through by-product spending by residents and visitors alike.

**Portfolio Diversification** (As of November 30, 2023)

**Prior to Proposed Loan:** (Real Estate \$23MM)

Anchorage:	\$143,008,994	39.06%
Collateral (Hotel):	\$46,004,467	12.57%
Repayment Industry (Hotel):	\$47,521,306	12.71%

**After Proposed Loan:** (Real Estate \$23MM)

Anchorage:	\$168,008,994	42.66%
Collateral (Hotel):	\$69,004,467	17.73%
Repayment Industry (Hotel):	\$72,521,306	18.18%

**Prior to Proposed Loan:** (Furniture Fixtures and Equipment \$2MM)

Anchorage:	\$143,008,994	39.06%
Collateral FF&E):	\$3,245,039	00.89%
Repayment Industry (Hotel):	\$47,521,306	12.71%

**After Proposed Loan:** (Furniture Fixtures and Equipment \$2MM)

Anchorage:	\$168,008,994	42.66%
Collateral (FF&E):	\$5,245,039	1.42%
Repayment Industry (Hotel):	\$72,521,306	18.18%

**Aggregate Exposure (Prior)**                                 **\$0**                                 **.00%**

**Aggregate Exposure (Both)**                                 **\$25,000,000**                                 **6.39%**

As per the loan Participation Portfolio-Risk Management Policy approved on the Board Meeting dated April 13, 2022, any single industry sector shall be limited to 25% or less of the total portfolio allocation within the Loan Participation portfolio, at the time the participation was approved. In conjunction with the single industry limitation, the top five industries by weight shall be limited to 50% or less of the total portfolio capital allocation of the Loan Participation portfolio, at the time the participation was approved.

The subject credit facility falls into the top five categories of Repayment Industry Risk. Currently prior to this loan, the Hotel Repayment Industry represents a 9.50% of the top five industries. With this proposed loan, the Hotel group will represent a total of 14.50% of the total loan portfolio capital allocation and the top five industries will represent 45.54%; therefore in compliance with the Risk Management Policy.

**Lead Underwriter Comments:**

Northrim has approved this loan due collateral renovation, heavy local investor support, multi organizational support, and the project's financial feasibility as a mixed-use facility.

**Recommendation:**

This loan will meet AIDEA's mission by promoting the renovation of an older downtown building into an upper tier hotel and creating hundreds of new permanent jobs. This project is supported by many members of the local community through equity contribution and many organizations such as CPACE, Municipality of Anchorage, and the Anchorage Community Development Authority. AIDEA recommends approval as presented.

**Covenants:**

1. Borrower to maintain minimum 1.30 DSCR.
2. Global cash flow to be maintained at a minimum 1.30 DSCR.
3. Borrowers' and Guarantors' financial statements (to include Debt Service Schedule and Rent Roll) to be provided to AIDEA on an annual basis within 120 days of year end.
4. Borrowers and Guarantor to provide their tax returns on an annual basis to AIDEA within 60 days of filing.
5. A debt payment reserve equal to 12 months of Northrim/AIDEA payments must be established and funded by the Borrower prior to AIDEA funding. Northrim will manage the reserve accounts and withdrawal will require approval from AIDEA. If withdrawal occurs, Borrower must replace amounts withdrawn within 12 months to maintain a full 12 month payment reserve.
6. A FFE (replacement reserve) reserve account (at escalating amounts) will established by the Borrower and maintained by Northrim. Any withdrawal from the reserve accounts will require approval from AIDEA.
7. Borrower must maintain branded hotel under a national branded franchise agreement. Any change in branding requires approval of AIDEA.



Conditions:

1. 1<sup>st</sup> DOT with an assignment of Rents on 239 W 4<sup>th</sup> Ave, Anchorage, AK
2. 2<sup>nd</sup> DOT on Lot 3A, Block 23 (Parking Lot)
3. Assignment of Leases.
4. UCC on Furniture, Fixtures, and Equipment.
5. Assignment of Hotel Management Contract.
6. Leases shall be subordinate to Lender's Deed of Trust.
7. Subordination, Non-Disturbance/Attornment Agreements (SNDA) with Tenant Estoppel Certificate, subject to the Authority in form and substance.
8. Comfort Letter agreement from National Branched Franchise.
9. "Employee Group" listed under Borrower entity ownership must be officially established with the State of Alaska. Operating and Membership Agreement must be provided and approved by AIDEA prior to funding.
10. Any change in ownership of Borrower must be approved by AIDEA.
11. "SPE" organizational documents and operating agreement must be submitted to and approved by AIDEA prior to funding.
12. Finalized lease between "SPE" and Borrower must be submitted to AIDEA prior to funding.
13. Lease/promissory note between Borrower's Special Purpose Entity and ACDA must be submitted to AIDEA prior to funding. Payment amount must not exceed estimated amounts listed in Proforma.
14. Energy audit by third party vendor certifying remaining CPACE Traunche C and the accompanying assessment (not exceeding the proforma amount) finalized note from the PACE loan group must be submitted to AIDEA prior to funding.
15. Franchise agreement extension to December 2024 must be reviewed and approved by AIDEA prior to funding.
16. Certificate of Completion/Occupancy must be submitted to AIDEA prior to funding.
17. Recertification of Collateral Stabilized value must be completed by appraiser and submitted to AIDEA prior to funding.
18. Borrower to display signage, on subject property for a period of 60 days. The sign will read "Financed by AIDEA" and will be provided and installed by AIDEA.
19. If Bank of Utah exercises the option to participate in the long term financing, an intercreditor agreement will need to be established and approved by AIDEA prior to funding.

**Project Supporters:**

- 1) Anchorage Economic Development Corporation
- 2) Anchorage Community Development Authority
- 3) Municipality of Anchorage
- 4) Pace Loan Group
- 5) Springboard Hospitality
- 6) Northrim Bank
- 7) Bank of Utah
- 8) Wide community support from local investors
- 9) National Branded Hotel Franchise

