

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY**

RESOLUTION NO. L24-03

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

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 Marquette Mansions, 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 \$4,211,087, and the aggregate amount of the Authority's participation in loans or project investments to companies owned or controlled by the guarantors is \$4,211,087, thereby requiring approval by the Authority's Board;

WHEREAS, Northrim Bank requests that the Authority purchase \$4,211,087 (90%) of the \$4,678,986 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 6th day of March 2024.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Chair

Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Randy Ruaro
Executive Director

Date: March 6, 2024

Subject: Loan Summary – Marquette Mansions, LLC
Resolution No. L24-03

Loan Request Northrim Bank (Northrim) has requested AIDEA’s participation of \$4,211,087 (90%) in a \$4,678,986 loan.

Term

Lender	Amount	Term	Structure
Northrim	\$467,899	10 Years	5 yr Variable rate (FHLB-Boston) +2.30%), adjusting every 5 years
AIDEA	\$4,211,087	20 Years	Fixed rate (5.73%)
Total	\$4,678,986		Includes accelerated amortization

Borrower Marquette Mansions, LLC

Guarantor Michael J. Moriarty

Use of Proceeds Purchase of non-owner occupied warehouse and improvements in Anchorage, AK.

Project 1800 Ship Avenue, Anchorage, AK 99501.

Jobs Supported 10 construction jobs created; 10 new jobs, and 6 jobs retained.

Management

Mr. Moriarty is 100% owner of the borrowing entity, Marquette Mansions LLC, which was recently created (9/1/23) to hold title to the subject property. Mr. Moriarty is a real estate investor



from Greenfield, Wisconsin who obtained his real estate broker license in 1979. He has extensive experience managing commercial buildings in Wisconsin, as well as residential housing. He most recently specialized in college student housing, owning over 42 residential units which he leased out to University of Marquette students for the past 20 years. Mr. Moriarty is transitioning out of residential housing and in July 2023 sold all of his rental properties. He has chosen to invest these funds in the Anchorage commercial real estate market and recently closed a bridge loan with Northrim Bank in order to purchase the subject property.

Mr. Moriarty plans to self-manage this property; however he has hired Alborn Construction to perform building maintenance and on-site management in the event of any emergency situation. In addition, he has an on-site manager to deal with any daily issues.

Collateral and Value

AIDEA staff visited the property in December 2023. 1st Deed of Trust with an Assignment of Rents and UCC on FF&E will secure the loan. An Assignment of Leases will also be required. The total site size is 85,336 SF (1.96 acres). The site is zoned I-2 Heavy Industrial District and all public utilities are available. The building, constructed in 1979, consists of a distribution warehouse with 59,833 SF gross building area (GBA) including 57,483 warehouse and 2,350 SF office/mechanical (*Appraiser indicates the building is Class S*). Heating is provided by gas-fired HVAC in the office space and gas-fired suspended radiant heaters in the warehouse. The entire building has a sprinkler system. There are thirteen (8X8) and two (10x10) dock high doors.

In 2019, the seller completed \$1.8 Million in tenant improvements and renovations listed as follows:

- Sprinkler/fire pump system/backflow preventer/modify supply lines/replace sprinkler heads for fire storage area
- Electrical 480V system
- Lighting system for warehouse and office
- LED fixtures for parking lot
- Roof repair of west-side of building
- Removal of second level office space (2,200 SF) to create functional warehouse space

The beamed roof is a flat built-up type and had deferred maintenance which is set for completion in Spring of 2024. The Borrower has paid for all work to be completed and once this is complete the entire roof will be updated with no further deferred maintenance. A structural engineer's report is forthcoming to provide final evaluation of the roof's condition. The parcel has direct access to the north via Ship Ave, which has 300' of frontage. The closest cross streets are N Orca St. to the East, N Sitka St. to the West, and the rear lot line fronts the Alaska Railroad.

Brian Z. Bethard, MAI with Black-Smith, Bethard, and Carlson, LLC appraised the project as of August 31, 2023. He concluded the project has a market value of \$8,755,000 resulting in a 53% loan to value.

The appraiser estimates the remaining economic life of the collateral at 25 years. AIDEA regulations state the proposed note's term cannot exceed 75% of the life of the collateral, therefore with accelerated amortization, this is within regulations.

The project is 100% non-owner occupied with the automotive industry as the primary tenant. The projected net operating income to proposed debt service exceeds the minimum required standard of 1.25:1; based upon the current tenant leases.

Related Debt

None.

Loan	Balance
Proposed Note	\$4,211,087
Aggregate Exposure	\$4,211,087

Financial Information

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

Environmental

No issues noted. The Borrower ordered a new Phase I as part of his due diligence in buying the subject property. A Phase I Environmental assessment was prepared by Aerotech in September 2023 and no environmental conditions on or offsite were identified. No further investigation or action was recommended. Because this was ordered by the borrower, the Lender is not relying on this assessment.

The bank relied a Veracheck report dated September 11, 2023 with a risk rating “3”, with no concerns regarding the subject property; however, signifying potential concerns on an adjacent property. *(This is not uncommon for the Ship Creek area; due to its use as an industrial site).*

The site was inspected by the Lender on September 12, 2023 and no environmental issues were observed. The seller provided an environmental questionnaire dated September 14, 2023 with no items of concern. In addition, Northrim has extensive knowledge of this property as they financed the acquisition of the subject collateral for the seller back in 2001 and AIDEA participated in a refinance of this property in 2002 *(loan paid off 8/25/08)*. At that time, a Phase I and limited Phase II was performed indicating no on-site contamination. Prior to the existing tenant the subject was occupied by Odom Corporation and was used for storage for many years. The bank has requested that an exception to ordering a new Phase I based on the historical use of the property.

AIDEA staff visited the property in January 2023 and found no outstanding environmental concerns.

Market

Mark Filipenko, a local broker/agent, reported (April 2023) that the industrial market vacancy estimate is currently trending at or below 2.5%. The main factors for the low vacancy can be partially attributed to an undersupplied market and the high cost of new construction.

Industrial Market – Major themes for 2022¹

- Supply Chain Issues continue
- Large equity firms (REIT's) led in the first half
- Interest rates climb and investors back away
- Owner/users fill every gap and demand remains high and, almost zero new development

Industrial Market Leasing: (Per appraisal report dated August 31, 2023, and conducted by Black, Smith-Bethard and Carlson, LLC) Rental rates are influenced by property specifications as well as lease terms and conditions. In recent years, the industrial market has trended toward net-lease occupancies and scheduled annual increases.

(Per a recent appraisal report dated September 1, 2023 by North Pacific Advisors) Industrial rents rose 7.0% for the first quarter of 2023 and averaged 6.3% over the past three years. Vacancies have been decreasing from 4% in 2021, to 2% in 2022, and were at 1.9% for the 1st quarter of 2023.

Portfolio Diversification As of December 31, 2023

Prior to Proposed Loan:

Anchorage Region:	\$142,009,436	38.67%
Collateral (Warehouse-Office):	\$40,298,416	10.97%
Repayment Industry (Automotive):	\$ 9,591,764	2.56%
Aggregate Exposure:	\$ 0	N/A

After Proposed Loan:

Anchorage Region	\$146,220,523	39.36 %
Collateral (Warehouse-Office):	\$44,509,503	11.98%
Repayment Industry (Automotive):	\$13,802,851	3.64%
Aggregate Exposure:	\$ 4,221,087	1.12%

Lead Underwriter Comments:

The Lender has approved this loan based on the high demand in Anchorage for industrial property, the experience of the guarantor, the financial strength and condition of the subject property, and the bank's positive historic performance of this investment property.

¹ BOMA 2023 Industrial & Retail Overview, Eric J Sobolik, Chambers Commercial Real Estate

Recommendation:

This loan will meet AIDEA's mission of economic development and job creation by providing indirect financing for the acquisition of a large industrial property in the Anchorage market that currently leases space to a wholesale essential service provider while creating 10 new jobs with the project. This loan is contingent upon AIDEA financing due to market rental rates and remaining economic life of the collateral. With this proposed loan, the building will complete further renovations to include ADA accessible restrooms and an electrical room. In addition, this project will create 10 construction jobs and retain a further 6 jobs. AIDEA staff recommend approval of the loan participation as proposed with the following conditions:

Covenants:

1. Annual Lender Certification of Compliance of Loan Covenants.
2. Borrower DSCR to be maintained at a minimum of 1.25 at all times.
3. Global DSCR to be maintained at a minimum of 1.25 at all times.
4. Financial Statements from the Borrower (to include Rent Roll and Debt Service Schedule)/Tax returns are to be provided on an annual basis to AIDEA within 60 days of filing.
5. Tax returns from Guarantor and personal financial statements (to include debt service schedule) are to be provided annually within 60 days of filing.

Conditions:

1. 1st DOT with an Assignment of Rents on 1800 Ship Avenue; Anchorage, AK 99501
2. UCC on FF&E.
3. Assignment of Leases.
4. All leases shall be subordinate to Lender's Deed of Trust.
5. Subordination Non-Disturbance/Attornment Agreements (SNDA) with Tenant Estoppel Certificate.
6. Borrower to place signage, provided by AIDEA, on subject property for a period of 60 days. The sign will read "Financed by AIDEA"
7. Lender to escrow and monitor for proposed improvements indicated by a budget proposal from Alborn Construction dated 1/4/2024.