

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

**RESOLUTION NO. L24-01**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY REGARDING PURCHASE BY THE  
AUTHORITY OF A PARTICIPATION IN 601 FIFTH AVE, LLC**

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**WHEREAS**, Global Credit Union 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 601 Fifth Ave, 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 \$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**, Global Credit Union requests that the Authority purchase \$25,000,000 (62.5%) of the \$40,000,000 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



Secretary

J. D. [Signature]  
Chair



## MEMORANDUM

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

**From:** Randy Ruaro  
Executive Director

**Date:** January 24, 2024

**Subject:** Loan Summary – 601 Fifth Ave, LLC  
Resolution No. L24-01

**Loan Request** Global Credit Union (Global) has requested AIDEA's participation of \$25,000,000 (62.5%) in a \$40,000,000 loan.

**Term**

Lender	Amount	Term	Structure
Global	\$15,000,000	15 years/ 25 amo	5 yr Variable rate (TCM +3.75%), adjusting every 5 years
AIDEA	\$25,000,000	25 years	Fixed rate (5.65%)
Total	\$40,000,000		Includes accelerated amortization

**Borrower** 601 Fifth Ave, LLC

**Guarantor** Peach Holdings, LLC; Jade Holdings, LLC, Maria Fang Family Trust, Joseph Fang Family Trust, Maria Fang Exempt Family Trust; Joseph Fang Exempt Family Trust; Maria Chen Fang; Joseph Fang

**Use of Proceeds** Equity extraction of non-owner occupied office building in Anchorage, AK to build an adjacent parking garage for primary tenant per executed lease.

**Project** 601 W Fifth Avenue, Anchorage, AK 99501.

**Jobs Supported** 150 construction jobs created; 450 new permanent jobs.

### Management

601 Fifth Ave, LLC is an Alaska real estate holding company established in 2019 to hold title to the subject collateral. The Fangs are experienced real estate developers, having operated locally for decades, and have holdings in California, Guam, and Alaska. They split their time between all three locations and are heavily involved in the daily operations of their holdings. Their sons Derrick, Terence, and Felix are involved in direct operations for their various holdings as part of succession planning. For Alaska holdings, Derrick oversees daily operations while Terence acts the property manager.

### Collateral and Value

AIDEA's Chief Lending Officer Tiffany Janssen, visited the property in January 2024. The collateral consists of a 106,557 square foot 9-story office building designed to accommodate multiple tenants. The structure was built in 1972, and renovated in 2023. The property is considered a "Class A" building. Floors three through nine or 89,215 SF are currently rented to Oil Search (Alaska), LLC (Santos Oil). The property is located in the downtown area of Anchorage across from the Performing Arts Center. Access to the property is through F St and West Fifth Avenue.

A Deed of Trust with Assignment of Rents in first lien position will secure the loan. An Assignment of Leases will also be required.

Alan Safer, MAI with Integra Realty Resources appraised the project as of April 10, 2023. He concluded the project has a market value of \$62,870,000.

Due to the good quality construction and condition of the subject property, the appraiser estimates the remaining economic life of the collateral at 55 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 100% non-owner occupied with the oil & gas industry as the primary tenant. 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 current tenant and market leases.

### Related Debt

None. The Fang's have had prior notes with AIDEA that were paid as agreed.

<b>Loan</b>	<b>Balance</b>
<b>Proposed Note</b>	<b>\$25,000,000</b>
<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 Phase I environmental assessment completed by Aerotech Environmental Consulting Inc. dated May 10, 2023, which showed low risk and no items of concern. No environmental situations, recognized environmental conditions or controlled recognized environmental conditions were discovered at or adjoining the subject property that indicate or necessitate the need for additional investigation.

No further action was indicated. AIDEA staff visited the property in January 2024 and found no outstanding environmental concerns.

### Market

According to market analyzer CoStar, the Anchorage metro area continues to out-perform its lower 48 counterparts by a large margin in vacancy rates. The most recent full year of data 2022 analyzed provides a local vacancy rate of 4.9% for office space while the national average hovers just below 13%. This becomes an even greater margin when considering Class A space in Anchorage had a vacancy rate of just 3.5%. Annual net absorption has continued to increase to 310,000 SF in 2022 from a negative net absorption in 2020. Since the pandemic, vacancy rates across the metro area, especially in the downtown area, have continued to decrease and currently sits at 5.41%. In the past five years analyzed (2018-2022), no new square footage was added to the downtown area and asking rents have increased by 4.49% since quarter 4 of 2020. Due to the quality of construction, strategic location, and existing interest of national tenants, the subject property is expected to perform well in the near term.

### Portfolio Diversification As of November 30, 2023

#### **Prior to Proposed Loan:**

Anchorage:	\$143,008,994	39.06%
Collateral (Building Class A):	\$33,381,076	9.12%
Repayment Industry (Oil & Gas):	\$14,778,514	3.95%
Aggregate Exposure:	\$0	0.00%

#### **After Proposed Loan:**

Anchorage:	\$168,008,994	42.99%
Collateral (Building Class A):	\$58,381,076	14.91%
Repayment Industry (Oil & Gas):	\$39,778,514	9.97%
Aggregate Exposure:	\$ 25,000,000	6.39%

As per the loan Participation Portfolio-Risk Management Policy approved at the Board Meeting held 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 currently does not fall into the top five categories of Repayment Industry Risk. Prior to this loan, the Oil & Gas Repayment Industry represented 3.95 % of total industries. With this proposed loan, the Oil & Gas group will represent a total of 8% 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:**

Global Credit Union recommends approval based upon an acceptable DSCR and collateral value “at stabilization,” supporting a lower LTV. In addition, there is a fully executed lease in place, the collateral will be fully renovated at completion, and the guarantors have extensive experience in owning and managing large investment properties.

**Recommendation:**

This loan will meet AIDEA’s mission by promoting the growth of a global business’ local office enabling the addition of hundreds of new jobs to the area and renovating an older building in the downtown cluster into a modern property. The collateral is in excellent condition with an existing quality long term tenant occupying a majority of the building. The guarantors have resilient revenue streams with sufficient net worth to support the collateral. This project will create 150 temporary construction jobs and 450 permanent jobs for Alaskans. AIDEA staff recommends approval of the loan participation as proposed with the following conditions:

**Covenants:**

1. Borrower to maintain minimum 1.25 DSCR.
2. Global cash flow to be maintained at a minimum 1.25 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. Borrower will need to fund a debt payment reserve account equal to 12 months of total Global/AIDEA loan payments prior to funding. The reserve will be required until the property reaches 100% occupancy with executed long term leases (>12 months) with unrelated tenants or a 1.25 DSCR. Any withdrawals out of the debt payment reserve will require AIDEA’s approval.
6. Lender will certify annually that no revenue from 601 Fifth Ave, LLC has been used for other entities held by the Guarantors. AIDEA will require the Lender to complete and submit this certification to AIDEA by June 30<sup>th</sup> every year.

**Conditions:**

1. 1<sup>st</sup> DOT with Assignment of Rents on 601 W Fifth Avenue, Anchorage, AK 99501.
2. Assignment of Leases
3. Leases shall be subordinate to Lender's Deed of Trust
4. Subordination, Non-Disturbance/Attornment Agreements (SNDA) with Tenant Estoppel Certificate, subject to the Authority in form and substance.
5. Certificate of Completion/Occupancy submitted to AIDEA prior to funding.
6. Recertification of Collateral Value by appraiser for "At Stabilization" Value submitted to AIDEA prior to funding.
7. 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.
8. AIDEA will structure its funding disbursement to Global Credit Union subject to executed leases by rented square foot percentage of property.
9. Global Credit Union will monitor the disbursement of AIDEA funding in accordance with the parking garage construction budget.
10. Monthly AIDEA/Global Credit Union meetings will be required to monitor the parking garage construction.
11. Parking Garage Certificate of Completion/Occupancy submitted to AIDEA once construction is complete.