



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: John Springsteen
CEO / Executive Director

Date: January 11, 2018

Subject: Loan Summary – Totem Inn, Inc.
Loan Resolution No. L18-01

Loan Request First National Bank Alaska (FNBA) requests AIDEA's participation of \$8,200,000 (90%) in a \$9,150,000 loan.

Term

Lender	Amount	Term	Structure
AIDEA	\$8,200,000	25 years	fixed rate
FNBA	\$950,000	12.5 years	3 yr. variable rate
Total	\$9,150,000		

Borrower Totem Inn, Inc.

Guarantor James Michael Williams, Connie Ballow, Richard Ballow

Use of Proceeds Pay off FNBA construction financing as well as closing costs.

Project Totem Inn located in Valdez, Alaska

Job Creation 75 construction jobs, 14 new jobs and 7 jobs retained.

Management

The subject hotel will be managed by the existing owners who have run their existing operations since 1986.

Collateral and Value

Deed of Trust; recorded first lien position on improvements located on the subject property. The physical location is 144 E. Egan Avenue; Valdez, Alaska.

Gregory S. Wing, MAI from North Pacific Advisors, LLC appraised the facility to have a \$13,050,000 "As-Is Value," which provides a 68% loan to value; this is within AIDEA guidelines. This projected net operating income (2018) is proposed to service debt 2.29:1, per the appraisal.

AIDEA will require a UCC-1 filing on all FF&E.

Related Debt

The borrower has no outstanding loans with AIDEA.

Financial Information

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

Environmental

No issues noted.

Market

Valdez has a seasonal economy with tourist, commercial fishing and construction, peaking in the summer months. Valdez also has a year around base with the Marine Terminal and Petro Star, as well as heli-skiing in the late winter and early spring. According to the appraiser, the Valdez visitor market has been limited by the quality of available rooms. These new, higher-quality rooms should attract more visitors to Valdez. The Totem Inn has been in operation for 45 years and has benefited from the destination quality of the Valdez market.

Strengths

- New Construction (65 room hotel); incremental increase to the market is 35 rooms.
- LTV 68%
- Well known construction company (Builder's Choice)
- Seasoned operators with good operating history
- Underserviced location

Weaknesses

- Non-flagged hotel, however this is mitigated by a payment reserve requirement of \$300,000; this will be in place until the project reaches a 1.40 DSC for two consecutive years.

Portfolio Diversification – As of September 30, 2017

Total dollars in the Gulf coast region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 3.38% to 5.32%. AIDEA had 13.95% of its total statewide portfolio in the Tourism industry. This will increase to 15.67%. For participated loans within the Gulf Coast region (a total of 16 loans), 29.36% of AIDEA's total portfolio is attributed to Tourism projects. This loan will increase penetration of the Tourism industry to 56.05% in the Gulf Coast region.

Recommendation

Staff recommends approval as presented.

AIDEA Credit Presentation

BORROWER: Totem Inn, Inc.	Bank:
CO-BORROWER:	First National Bank Alaska
ADDRESS: 144 E. Egan Avenue Valdez, AK	Date: January 11, 2018

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

BUSINESS: Hotelier	NAICS: 721110
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GUARANTORS: James Michael Williams, Connie Ballow, Richard Ballow

LOAN PURPOSES:	EE Purpose:
<input type="checkbox"/> Refinance <input checked="" type="checkbox"/> New Construction <input type="checkbox"/> Acquisition <input type="checkbox"/> Assumption <input 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: 12 Months	ANTICIPATED FUNDING DATE: July 31, 2018
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ESTIMATED JOBS SUPPORTED: 96 jobs supported (75 construction, 14 new and 7 retained)

PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
FNBA	\$950,000	10%	Variable ¹	\$8,427.10	\$101,125.20	12.50 years
AIDEA	\$8,200,000	90%	Fixed ²	\$42,673.87	\$412,086.44	25 years
TOTAL	\$9,150,000			\$51,100.97	\$613,211.64	Effective Amo: 20.50 years

Related debt	
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GUARANTEE	Loan Amount	Guarantee Percentage	Guarantee Amount	Rate	Payment		Term
					Monthly	Annual	
Originator							

COLLATERAL DESCRIPTION AND		Appraisal Date	Source	Appraised Value	Loan to Value
Description					
Totem Inn & Suites located at 144 Egan Avenue; Valdez, Alaska		6/1/17 and updated 11/11/17	Michael Mohn, MAI Hotel Realty NW	\$13,050,000 "At Completion"	68%

Comments: Loan Committee approved this participation request on November 22, 2017.
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CONDITIONS OF APPROVAL

¹ Bank's 3 year variable rate; initially 4.75%

² AIDEA's 20 year fixed rate of 3.85%

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. L18-01

A RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REGARDING PURCHASE BY THE AUTHORITY OF A PARTICIPATION IN TOTEM INN, INC.

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 Totem Inn, Inc., (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 \$8,200,000.

WHEREAS, First National Bank Alaska requests the Authority to purchase \$8,200,000 (90%) of the \$9,150,000 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 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.

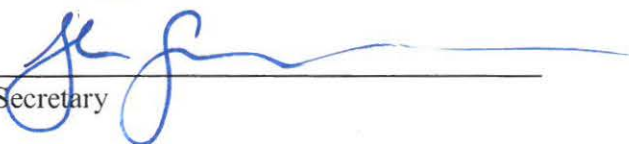
Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to the Authority's participation in the Loan.

DATED at Anchorage, Alaska on this 11th day of January 2018.





Chair



Secretary