



**MEMORANDUM**

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

**From:** John Springsteen *JS*  
CEO/Executive Director

**Date:** June 28, 2018

**Subject:** Loan Summary – Anchorage MC Holdings, LLC  
Loan Resolution No. L18-03

Loan Request Northrim Bank (NRM) requests AIDEA’s participation of \$19,200,000 (80%) in a \$24,000,000 loan.

Term

Lender	Amount	Term	Structure
NRM	\$4,800,000	15 years	3 yr. variable rate
AIDEA	\$19,200,000	25 years	Fixed rate
Total	\$24,000,000		

Borrower Anchorage MC Holdings, LLC

Guarantor Richard D. Marko, Affinity Hospitality, LLC, MC Midtown, LLC, Mark H. Horne, Roger Scott McQuarrie, MSM Ventures, LLC, Margaret B. Horne, Margaret B. Horne Family Revocable Trust, Union Square Development, LLC, Steven D. Hall

Use of Proceeds Payoff Northrim construction financing as well as closing costs.

Project 141 Room Marriott Courtyard Hotel located at 4960 A Street, Anchorage, Alaska

Jobs Supported 285 construction jobs, 60 new jobs, and 5 jobs retained.

Management The subject hotel will be professionally managed by The Horne Management Group (HMG).

### Collateral and Value

Deed of Trust; recorded first lien position on improvements located on the subject property.

Gregory S. Wing, MAI from North Pacific Advisors, LLC appraised the facility to have a \$33,125,000 "At Completion" value, which provides a 72% loan to value; this is within AIDEA guidelines. The projected net operating income (At Stabilization - year 3) is proposed to service debt 1.70:1, per the appraisal.

AIDEA will require a UCC-1 filing on all FF&E, as well as an FF&E reserve as recommended by appraiser.

### 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

The Anchorage market has been strong since 2009 and no major changes are expected. The national economy is growing every year over the 2009 recession and this is showing in the number of tourists coming to Anchorage. Market participants expect this trend to continue for 2018 as the tourism outlook is strong. Most hotel operators surveyed have a positive outlook for the next year. The area is well known as the midtown hotel (Hotel Row) corridor. Linkages to other districts in Anchorage are very good.

In addition to tourism, the subject will capture the progressive business traveler who seeks to optimize business travel and enjoy the conveniences of staying within a short drive of the numerous shopping, restaurant and entertainment destinations in the area. The subject will follow in the footsteps of the company's recently completed and operating 135 room Home2 Suites by Hilton, located adjacent to the subject; although, the subject will benefit from the brand of Marriott, which is known world-wide for its high quality (*which includes extensive franchise requirements.*)

### Strengths

- Guarantor financial strength
- New Construction
- Flagged hotel with professional management
- 72% LTV
- Seasoned operators
- Good location for this property type
- Strong national economy/tourism sector
- Six months payment reserve (\$875,000)
- Low portfolio exposure to Anchorage hotels currently

### Weaknesses

- No extraordinary risk beyond typical market risk; however the tourism industry remains strong, and projected stabilization for this project is in year 3.

### Portfolio Diversification – As of May 31, 2018

Total dollars in the Anchorage region, as a percentage of AIDEA's total portfolio dollars statewide will increase from 48.07% to 50.39%. AIDEA had 10.81% of its total statewide portfolio in the Tourism industry. This will increase to 14.78%. For participated loans within the Anchorage region (a total of 4 loans), 1.44% is attributed to Tourism projects. This loan will increase penetration of the Tourism industry to 5.82% in the Anchorage region.

### Recommendation

Staff recommends approval as presented.

# AIDEA Credit Presentation

<b>BORROWER:</b> Anchorage MC Holdings, LLC	<b>Bank:</b>
<b>CO-BORROWER:</b>	Northrim Bank
<b>ADDRESS:</b> 3705 Arctic Blvd. #450 Anchorage, AK 99503	<b>Date:</b> June 28, 2018

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

<b>BUSINESS:</b> Hotelier	<b>NAICS:</b> 721110
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<b>GUARANTORS:</b> Richard D. Marko, Affinity Hospitality, LLC, MC Midtown, LLC, Mark H. Horne, Roger Scott McQuarrie, MSM Ventures, LLC, Margaret B. Horne, Margaret B. Horne Family Revocable Trust, Union Square Development, LLC, Steven D. Hall
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<b>LOAN PURPOSES:</b>	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	

<b>LOAN PROGRAM:</b>	<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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<b>COMMITMENT TERM:</b> 12 Months	<b>ANTICIPATED FUNDING DATE:</b> September 4, 2019
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<b>ESTIMATED JOBS SUPPORTED:</b> 285 construction jobs, 60 new jobs, 5 retained jobs
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PARTICIPATION	Loan Amount	Percentage	Rate	Payment		Term
				Monthly	Annual	
NRIM	\$4,800,000	20%	Variable <sup>1</sup>	\$41,392.11	\$496,705.32	15 years
AIDEA	\$19,200,000	80%	Fixed <sup>2</sup>	\$103,262.63	\$1,239,151.56	25 years
<b>TOTAL</b>	<b>\$24,000,000</b>			<b>\$144,654.74</b>	<b>\$1,735,856.88</b>	Effective Amo: 25 years

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

COLLATERAL DESCRIPTION AND				
Description	Appraisal Date	Source	Appraised Value	Loan to Value
141 Room Marriott Courtyard Hotel located at 4960 A Street; Anchorage, Alaska	March 8, 2018	Gregory S. Wing, MAI North Pacific Advisors, LLC	\$33,125,000 "At Completion"	72%

<p><b>Comments:</b></p> <p>Loan Committee approved this participation request on June 11, 2018.</p>
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## CONDITIONS OF APPROVAL

<sup>1</sup> Bank's 3 year variable rate; initially 6.34%

<sup>2</sup> AIDEA's 25 year fixed rate of 4.18%

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. L18-03**

**A RESOLUTION OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY  
REGARDING PURCHASE BY THE AUTHORITY OF A  
PARTICIPATION IN ANCHORAGE MC HOLDINGS,  
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 Anchorage MC Holdings, LLC (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 \$19,200,000;

**WHEREAS**, Northrim Bank requests the Authority to purchase \$19,200,000 (80%) of the \$24,000,000 Loan; and

**WHEREAS**, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to 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 Section 3 of this Resolution and 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.

Section 3. The approval granted in this Resolution shall be effective once the Executive Director has reviewed the Borrower's franchise agreement and confirmed that its terms are satisfactory to the Authority.

Section 4. For future loan participations in the hospitality industry, the Authority's staff shall review any applicable franchise agreement that the borrower holds and, if such a loan participation is presented to the Board for approval, staff shall indicate in its recommendation to the Board that the review has occurred, pointing out any aspects of the franchise agreement that are significant to the Authority's loan participation.

DATED at Anchorage, Alaska on this 28<sup>th</sup> day of June, 2018.



  
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Chair

  
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Secretary