

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

**RESOLUTION NO. L22-01**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY REGARDING PURCHASE BY THE  
AUTHORITY OF A PARTICIPATION IN 824 NW 52<sup>ND</sup> 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 824 NW 52<sup>nd</sup> 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 original Memorandum did not include the successful completion of a Phase 2 environmental report as a condition to the Authority’s participation in the Loan; however, the Authority’s staff and Board agree that such condition should be a requirement for the Authority’s participation in the Loan;

**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 subject participation is \$3,681,562, and the aggregate amount of the Authority's participation in loans or project investments to companies owned or controlled by the guarantors is \$5,442,132, thereby requiring approval by the Authority's board;

**WHEREAS**, Northrim Bank requests the Authority to purchase \$3,681,562 (85%) of the \$4,331,250 Loan; and

**WHEREAS**, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to the 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, and that further condition of a successful completion of a Phase 2 environmental report. 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 Commercial Finance Director 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 13th day of April, 2022.

ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY



DocuSigned by:  
*Chair Dana Prules*  
ID: 597918503474...  
Chair

*[Handwritten Signature]*  
Secretary



**MEMORANDUM**

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

**From:** Alan Weitzner  
Executive Director

**Date:** April 13, 2022

**Subject:** Loan Summary – 824 NW 52<sup>nd</sup> LLC  
Resolution No. L22-01

Loan Request Northrim Bank (Northrim) requested AIDEA’s participation of \$3,898,125 (90%) in a \$4,331,250 loan. AIDEA staff completed the loan’s review with a recommendation the participation percentage be reduced to 85%, in order to mitigate building and tenant risk, resulting in an AIDEA loan of \$3,681,562.

Term

Lender	Amount	Term	Structure
Northrim	\$649,688	15 years	5 yr. variable rate, FHLB-Boston + 3.00%, adjusting every 5 years
AIDEA	\$3,681,562	25 years	Fixed rate (4.24%)
Total	\$4,331,250		Includes accelerated amortization

Borrower 824 NW 52<sup>nd</sup> LLC

Guarantor D&D Harrison Living Trust Dated January 13, 2015; Duncan and Danielle Harrison

Use of Proceeds Acquisition of warehouse/retail building leased to Ferguson Enterprises LLC.

Project Purchase 3105 Industrial Avenue, Fairbanks, AK 99701.

Jobs Supported Five jobs retained.



## Management

824 NW 52<sup>nd</sup> LLC is an Alaska corporation which will hold the subject property. The collateral will be managed by Duncan Harrison; Harrison holds several real estate investments under his living trust which will be a guarantor on the loan.

## Collateral and Value

AIDEA's Project Manager, Angela Kuest, visited the property in March 2022. The collateral is a 31,200 Sq Ft (GBA) Class B office building constructed in 1985 and located in an industrial area of Fairbanks on 2.02 acres. A Deed of Trust with an Assignment of Rents in a first lien position will secure the loan. In addition, an assignment of lease will be required.

Steven MacSwain, MAI, with MacSwain Associates LLC appraised the project as of August 25, 2021. He concluded the project has a market value of \$5,800,000. However, the purchase price of the subject was \$5,775,000. Since this is less than the appraised value, the purchase price was utilized to calculate the appropriate loan to value of 75%, which falls within AIDEA's guidelines.

Due to the good quality and condition of the subject property, the appraiser estimates the remaining economic life of the collateral at 35 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% owner occupied by Ferguson Enterprises LLC and the projected net operating income for the first year to proposed debt service is 1.30:1; based upon the tenant's current lease.

## Related Debt

- 1) In January 2018, AIDEA's Investment Committee approved Eagle River Buildings, LLC funding of \$1,593,000 (Loan No. 1418024). Current balance is \$944,603, loan has been paid as agreed and has not been modified. \*As a condition of the proposed loan, Eagle River Buildings, LLC's note will be 100% refinanced by Northrim.
- 2) In January 2018, AIDEA's Investment Committee approved Harrison Properties, LLC funding of \$1,215,000 (Loan No. 1418023). Current balance is \$877,504; loan has been paid as agreed and has not been modified. \*As a condition of the proposed loan, Harrison properties, LLC's note will be 100% refinanced by Northrim.
- 3) In August 2010, AIDEA's Investment Committee approved Anchorage Buildings, LLC funding of \$2,660,000 (Loan No. 1808926). Current balance is \$1,752,076; loan has been paid as agreed and has not been modified.

<b>Loan</b>	<b>Balance</b>
Anchorage Buildings, LLC	\$1,752,076
<u>Proposed Note</u>	<u>\$3,681,562</u>
<b>Aggregate Exposure</b>	<b>\$5,442,131</b>

### Financial Information

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

### Environmental

No issues noted. The property has been operated as a plumbing supply company since the mid 80's to same tenant. A limited Phase I environmental site assessment was prepared by the Boutet Company, Inc. dated August 12, 2021, and their findings were that there was minimal risk of environmental liability to the subject property. There were properties near the subject property (within ¼ mile radius) that contained minimal contamination; however the subject property was not affected with the exception of ground water. The Fairbanks Fire training facility constructed a burn pit in 1987 that was used for approximately 20 years, which resulted in PFCs in the groundwater. Additionally, the subject site was hooked up to the city water system in 1990. Since the building is serviced by public water and sewer, the groundwater contamination does not pose a threat to site workers or visitors.

### Market

Fairbanks serves as a distribution center for the North Slope, as many Slope operations are staged in Fairbanks. Thus, the Fairbanks industrial economy benefits from an active, robust North Slope economy.

The appraiser indicates that vacancy for industrial properties in Fairbanks are moderate (reported at 8% to 10%), and demand for newer, good-quality warehouse space exceeds supply. Industrial vacancy rates in Fairbanks were 8.7% and 12.5% for the third and fourth quarter 2021, respectively<sup>1</sup>.

Continued slow growth is expected. Based on market research of similar industrial properties in the Fairbanks market, the subject has a good quality and market appeal. Overall, the improvements exceed market expectations for industrial properties in Fairbanks.

Tenant did not require any rent concessions or modifications due to the pandemic. Tenant is the largest U.S. distributor of plumbing and HVAC supplies across 1,600 locations.

### Portfolio Diversification

As of February 2022, AIDEA had 29% of its total statewide portfolio secured by NAISC's Lessors of Non-Residential Buildings classification (the current classification reported by the Borrower). Per the proposed Risk Management Policy, this loan would fall under the Real Estate – Home Repair repayment industry which currently comprises 1% of AIDEA's total portfolio. For participated loans within the Interior region, approval of this loan will increase the Interior's regional portfolio mix from 4% to 5% within AIDEA's total portfolio.

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<sup>1</sup> National Association of Realtors

Lead Underwriter Comments:

Northrim notes the subject property is 100% occupied by a strong tenant with a good property DSCR. Lease has recently been renewed for a further five years, expiring in 2027.

Recommendation:

The collateral is in good condition with a high likelihood of resale and is 100% occupied by a financially solid tenant that has occupied the building for over 35 years. The guarantors have resilient revenue streams with sufficient net worth to support the collateral. This project will retain five jobs for Alaskans.

AIDEA staff recommends approval of the loan participation as proposed with the following conditions:

Conditions:

- A. Tenant lease to be assigned to Lender and subordinated to the Lender's Deed of Trust.
- B. Two existing AIDEA loans (#1418024 and #1418023) to be paid off via Northrim Bank refinance.
- C. Assignment of Rents

**INVESTING IN ALASKANS**



# 824 NW 52<sup>nd</sup> LLC

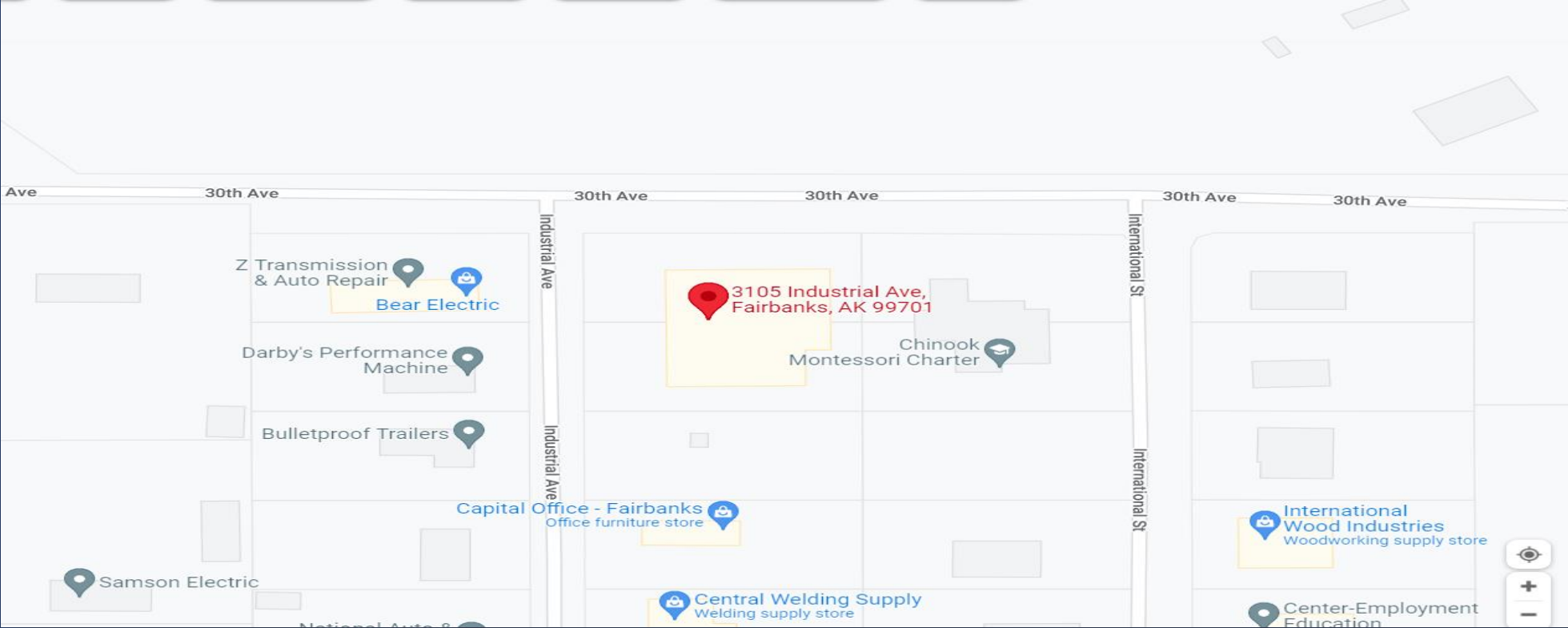
AIDEA Board  
April 13, 2022

Tiffany Janssen, Commercial Finance Director

[www.aidea.org](http://www.aidea.org)



# LOCATION | 3105 Industrial Avenue, Fairbanks



# FRONT ENTRANCE AND PARKING



# ACCESS OFF OF 30<sup>TH</sup> AVENUE

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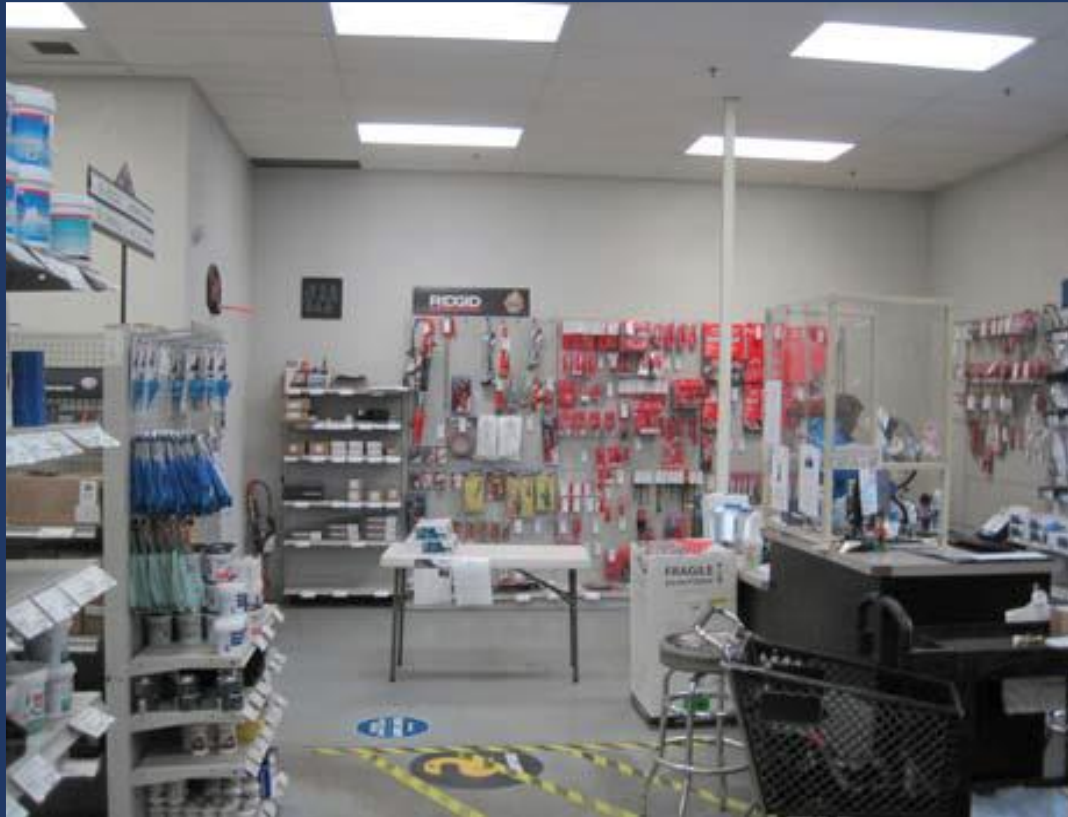
# DOCKING AND ENTRANCE

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# RETAIL AND SHOWROOM

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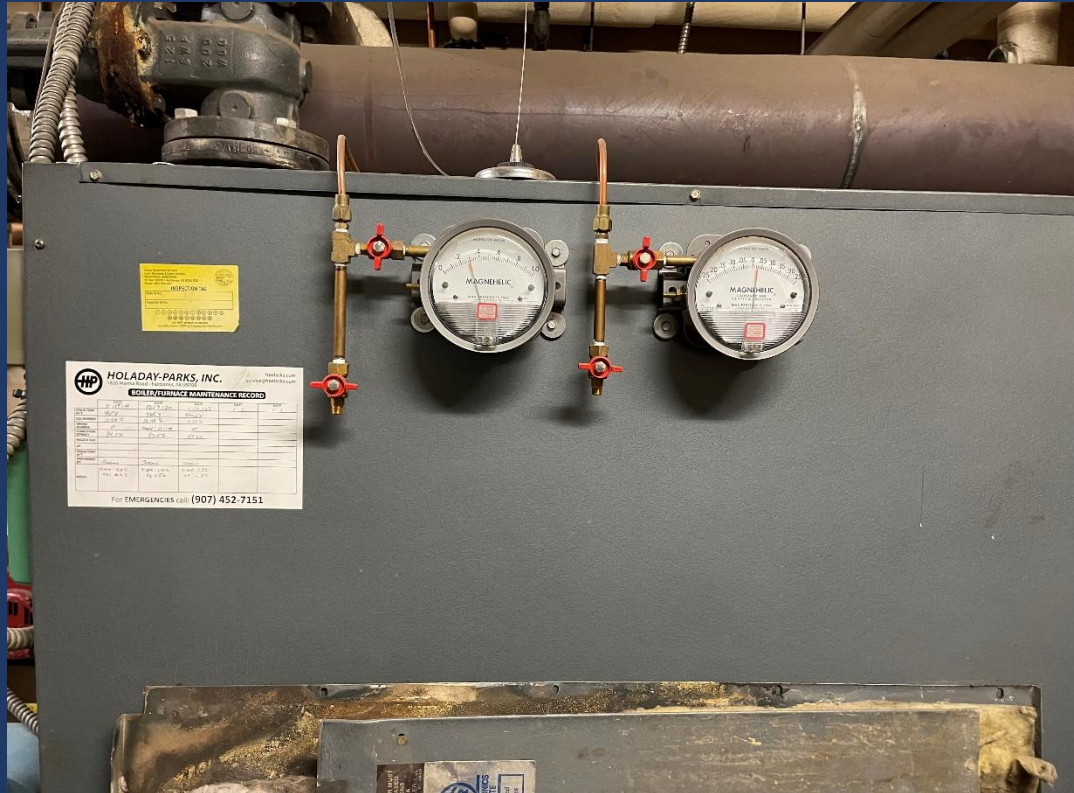
# WAREHOUSE

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# BOILER/FURNACE AND ELECTRICAL



# OUTSIDE STORAGE

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# THANK YOU

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**Tiffany Janssen**

Commercial Finance Director

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