

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY**

RESOLUTION NO. L22-02

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REGARDING PURCHASE BY THE
AUTHORITY OF A PARTICIPATION IN SUN MOUNTAIN
DEVELOPMENT GROUP, 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 Sun Mountain Development Group, 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 subject participation is \$2,929,500, and the aggregate amount of the Authority's participation in loans or project investments to companies owned or controlled by the guarantors is \$13,323,208, thereby requiring approval by the Authority's board;

WHEREAS, Northrim Bank requests the Authority to purchase \$2,929,500 (90%) of the \$3,255,000 Loan; and

WHEREAS, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to the 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 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 3rd day of August, 2022.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY





Chair



Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Alan Weitzner
Executive Director

Date: August 3, 2022

Subject: Loan Summary – Sun Mountain Development Group, LLC
Resolution No. L22-02

Loan Request Northrim Bank (Northrim) requested AIDEA’s participation of \$2,929,500 (90%) in a \$3,255,000 loan.

Term

Lender	Amount	Term	Structure
Northrim	\$325,500	12.5 years	3 yr. variable rate, FHLB-Boston + 2.80%, adjusting every 3 years
AIDEA	\$2,929,500	25 years	Fixed rate (4.92%)
Total	\$3,255,000		Includes accelerated amortization

Borrower Sun Mountain Development Group, LLC

Guarantor A & C Investment Group LLC; H5 Construction, LLC; Twenty Eight INV, LLC; Daniel Hacker; James Hacker; Lisa Hacker, Jodie Hacker; Jerad Hacker; Shannon Ingram; Andrew Ingram; Cameron Johnson; Alexis Gevorgian; Odet Najarian

Use of Proceeds Refinance and equity extraction of non-owner occupied retail building in Wasilla, AK.

Project Refinance 2101 East Sun Mountain Avenue, Unit D, Wasilla, AK 99654.

Jobs Supported 65 construction jobs created; indirectly 24 new jobs.

Management

Sun Mountain Development Group, LLC was formed in May 2018 as the development/holding entity for the Shoppes at Sun Mountain, a site condominium project. This is a unit extension of the Wasilla development which received financing from AIDEA in 2019, providing commercial lease space within the community to retail lessees including Sonic, Krispy Kreme, and Planet Fitness. The collateral is managed by Andrew Ingram (Guarantor) who is also employed as a real estate broker.

Collateral and Value

AIDEA's Commercial Finance Director, Tiffany Janssen, visited the property in July 2022. The collateral is an 11,400 Sq Ft (GBA) Class B retail/office building constructed in 2020 and located off the Parks Highway in Wasilla on 1.2 acres. A Deed of Trust with an Assignment of Rents in a first lien position will secure the loan. In addition, assignment of leases will be required.

Gregory S. Wing, MAI, with North Pacific Advisors, LLC appraised the project as of August 26, 2021. He concluded the project has an "As-Is" market value of \$4,340,000 due to vacant units at the time of the report.

Due to the good quality construction and condition of the subject property, the appraiser estimates the remaining economic life of the collateral at 45 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 by a mixture of healthcare, restaurant, and retail establishments. The projected net operating income for the first year to proposed debt service is 1.42:1; based upon the tenant's current leases.

The Sun Mountain Development Group, LLC is also one of the Mat-Su Borough's largest property tax payers. Currently, the borrower pays \$109,872 in property taxes to the Borough, the proposed loan will add another \$23,157 in property tax payments annually.

Related Debt

- 1) In December 2018, AIDEA's Investment Committee approved H3 Investment Group, LLC funding of \$1,748,925 (Loan No. 3119016). Current balance is \$1,668,513; loan was modified in April 2020 and deferred payments through June 2020. Principal and interest payments resumed July 2020 and loan has since paid as agreed.
- 2) In March 2019, AIDEA's Investment Committee approved Settler's Bay Central Land, LLC funding of \$2,198,700 (Loan No. 3119028). Current balance is \$2,045,191; loan was modified in April 2020 and deferred payments through June 2020. Principal and interest payments resumed July 2020 and loan has since paid as agreed.
- 3) In May 2019, AIDEA's Board approved Sun Mountain Development Group, LLC funding of \$3,847,500 (Loan No. 3119033) under Resolution No. L19-06. Current balance is \$3,663,006, loan has been paid as agreed and has not been modified.

- 4) In May 2019, AIDEA’s Board approved Sun Mountain Development Group, LLC funding of \$1,017,000 (Loan No. 3119034). Current balance is \$969,046; loan has been paid as agreed and has not been modified.
- 5) In May 2019, AIDEA’s Board approved Sun Mountain Development Group, LLC funding of \$2,144,700 (Loan No. 3119035). Current balance is \$2,047,949; loan has been paid as agreed and has not been modified.

Loan	Balance
H3 Investment Group, LLC	\$1,668,514
Settler’s Bay Central Land, LLC	\$2,045,191
Sun Mountain Development Group, LLC (3)	\$3,663,007
Sun Mountain Development Group, LLC (4)	\$969,046
Sun Mountain Development Group, LLC (5)	\$2,047,950
<u>Proposed Note</u>	<u>\$2,929,500</u>
Aggregate Exposure	\$13,323,208*

*Borrower has a further project that has been presented by Northrim as a preflight review.

Financial Information

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

Environmental

No issues noted. A Phase I environmental site assessment was prepared by AlaskChem Engineering (ACE) on the collateral in May 2018 in preparation for development. The assessment revealed no evidence of recognized environmental conditions in connection with the subject property. AIDEA staff conducted a site visit in July 2022 and observed no concerns with the property.

Market

According to the appraiser, the Matanuska-Susitna area has seen a dramatic growth in the retail sector over the past five years and vacancy rates have remained between 4%-8%. As a comparison, the national average for retail vacancy for the first quarter 2022 was 4.5%, while Anchorage was reported at 3.6%.¹ This has led to several new large commercial builds from restaurants to grocery stores. Much of this new construction is freestanding and is generally along the Parks Highway or the Palmer-Wasilla Highway.

In some cases these retailers are new to the market, in others, established businesses have relocated to or built their own new location along busier stretches of Wasilla. This translates to higher rents in those new buildings, but business owners are betting on increased traffic into these newer retail centers to offset increased costs. The Mat-Su Borough continues to grow and in 2015 surpassed

¹ National Association of Realtors

the Fairbanks North Star Borough to become the second largest population center in the State. The Mat-Su Borough continues to grow at a stable rate between 1 and 2 percent a year² .

Portfolio Diversification (As of June 30, 2022)

Prior to Proposed Loan:

Mat-Su Region:	\$85,597,463	21%
Collateral (Building Class B):	\$75,279,144	18%
Repayment Industry (Restaurant):	\$16,960,006	4%
Aggregate Exposure:	\$10,393,702	3%

After Proposed Loan:

Mat-Su Region:	\$88,526,963	22%
Collateral (Building Class B):	\$78,208,644	19%
Repayment Industry (Restaurant):	\$19,889,506	5%
Aggregate Exposure:	\$13,323,208	4%

Lead Underwriter Comments

Northrim has approved this loan due to the strong financial support and experience of the developers/management team and the potential for further new businesses to expand to the subdivision with the addition of this project.

Recommendation:

The collateral is in excellent condition, occupied by quality, long-term tenants. The guarantors have resilient revenue streams with sufficient net worth to support the collateral. This project will create 65 temporary construction jobs for Alaskans. AIDEA staff recommends approval of the loan participation as proposed with the following covenants and conditions:

Covenants:

- 1) Annual Lender Certification of Compliance of Loan Covenants.
- 2) Project and Borrower DSCR to not fall below 1.25 at any time.
- 3) Financial Statements (to include Rent Roll and Debt Service Schedule)/Tax returns are provided on an annual basis to AIDEA within 60 days of filing.

²Alaska Department of Labor and Workforce Development

Conditions:

1. 1st DOT with Assignment of Rents.
2. Assignment of Leases.
3. All leases shall be subordinate to Lender's Deed of Trust.
4. Certification of Employment Data required at time of funding.
5. Subordination Non-Disturbance/Attornment Agreements (SNDA) with Tenant Estoppel Certificates, where are permitted, subject to the Authority of form and substance.
6. Lender Certification of funds received by the equity extraction to be utilized only for Alaskan projects that promote jobs and economic development.

INVESTING IN ALASKANS



Sun Mountain Development Group, LLC

AIDEA Board
August 3, 2022

www.aidea.org

LOCATION | 2101 East Sun Mountain Avenue, Unit D, Wasilla



FRONT ENTRANCE AND REAR ACCESS ROAD



ACCESS OFF OF PARKS HIGHWAY



TENANT- TACOS CANCUN



TENANT- ZAGG



TENANT- DU JOUR FASHION



TENANT- CAKE



TENANT- SUN MOUNTAIN DENTAL CARE



TENANT- VACANT



THANK YOU

Tiffany Janssen

Commercial Finance Director

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