

MEMORANDUM

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Kyle Pasley – Deputy Assistant Director Planning & Development Group

DATE: September 22, 2016

RE: Board Consent request – Payment of Capital Call Pursuant to DEVL 696

BENEFICIARY: Schools

This transaction has been reviewed for recommendation by the subcommittee

Background:

In January of 2000 the Trust entered into a joint venture agreement with LGJ, LC, our development partner in the Fort Pierce Industrial Park in St. George. This agreement allowed the Trust to joint venture on vertical properties within the park on certain land holdings and where the Trust deemed appropriate.

In February of 2005 the Trust and LGJ, LC activated the agreement to build a 39,600 sq. ft. building on Lot 44 in the Fort Pierce Industrial Park. Original financing for the project was obtained in 2006 in the form of a 10 year, non-recourse loan with a balloon payment at the end of the term.

After the building was completed a specialty tenant was placed in the building. The original tenant was Sylarus Industries, a company that specialized in manufacturing germanium wafers for solar cells in satellites. The unique nature of the work required Sylarus to install over \$2 million dollars in highly specialized improvements. Long running government contracts also made the tenant highly desirable.

Over time Sylarus was purchased by another company, 5N Semiconductors, which specialize in similar manufacturing and lease the building today. The original lease by Sylarus was for a 10 year term with options for two, 5 year renewals. 5N assumed the original lease and have just recently exercised the first 5 year option renewal.

Current Conditions:

The original 10 year loan matured in June of this year. Starting in February, LGJ, LC acting as managing member, began the process of refinancing the loan for another 10 year term. As the Trust is a 70% partner in the LLC that owns the building all lending must be non-recourse. Over the past 10 years the lending environment has changed tremendously making the securing of such a loan difficult from mainstream financial institutions, including the previous loan holder, Wells Fargo. However, because of the strong client in

the building and security of a partner such as the Trust a favorable loan offer was secured with Symetra Life at much superior terms to other offers. Terms of the old loan compared to the new more favorable terms are outlined as follows:

Previous Loan Terms:

Lender:	Wells Fargo
Original Loan Amount	\$2,050,000.00
Principal Balance at Renewal	\$1,765,410.33
Interest Rate	6.33%
Monthly Payment	\$12,729.06

New Loan Terms:

Lender:	Symetra Life
Principal	\$1,600,000.00
Interest Rate	4.17% fixed
Term	10 years
Maturity Date	07/06/2026
Springing Recourse:	If tenant leaves property, the loan Becomes recourse to LGJ, LC
Monthly Payment:	\$8,596.30

Cash Flow:

Current rent per month:	\$20,537.38 NNN
Current Monthly Disbursement:	

SITLA (70%):	\$2,800
LGJ, LC (30%):	\$1200

Monthly Disbursement Post Refinance:

SITLA (70%):	\$6020
LGJ, LC (30%):	\$2520

As can be seen the refinance will save the Trust a substantial amount in interest over the old loan. Additionally the Trust will see distributions from monthly income more than double.

As part of the underwriting process for the refinance, Symemtra Life requested an additional \$200,000 in equity. LGJ, LC, initiated the payment and has now issued a capital call for the Trust's 70% portion of \$200,000 equity payment or \$140,000.

Recommendation:

SITLA Staff recommend board approval for the \$140,000 to be paid as a capital call to cover the additional equity required in the refinance. This infusion of capital to the project will increase cash flows and enable the Trust to take advantage of interest rates 75 to 100 basis points better than other refinancing options that were available.