

CASE STUDY

ELAN AT TERRA BELLA

\$26,172,500 | MAY 2018 | COVINGTON, LA



SIMS MORTGAGE FUNDING (SMF) CLOSES \$26,172,500 LOAN FOR CONSTRUCTION OF MULTIFAMILY RENTAL HOUSING IN COVINGTON, LA



“When you work with a mortgage banker for 15 years they become as much a part of your team as your architects, engineers and contractors. They have consistently delivered positive results and have closed deals that otherwise would have never happened. Their knowledge of each HUD program is unsurpassed and it is very obvious that every HUD office they have worked with has the utmost confidence and respect for their team. With the respect from the different offices, they are able to reach out to the higher levels of HUD to solve problems. We look forward to working with Sims for many years to come and we strongly recommend them to any company interested in completing a HUD loan.”

- David Alexander, Managing Partner, Vintage Realty Company

PARTNERED RIGHT

Vintage Realty Company, a major regional developer and property manager headquartered in Shreveport, LA, purchased the development rights to **Elan at Terra Bella**, a proposed 178-unit market-rate multifamily project in a Traditional Neighborhood Development (TND) on the North Shore, one of the fastest-growing sections of the New Orleans metropolitan area. Given Vintage's preference for long-term, fixed-rate financing, they turned to SMF to obtain HUD-insured construction and permanent financing.

STRUCTURED RIGHT

Sims and Vintage were faced with two significant challenges: a temporary change in housing market conditions after HUD issued its preliminary approval of the deal, and a notice from HUD that the project's general contractor couldn't post payment and performance bonds with dual insurers, as they had done on prior projects. HUD, SMF and Vintage collectively developed risk mitigation plans to address these concerns that enabled the loan to close before the deadline expired on the financing commitment. The bond risk mitigation was structured to be partially released post-closing at certain milestones during construction, or immediately released should HUD reinstate its prior policy regarding dual sureties. The Project was designed to meet green building standards as a result, it has a .25% annual mortgage insurance premium (MIP), .40% lower than the typical program MIP.

EXECUTED RIGHT

The \$26,172,500 loan was insured under the Section 221(d)(4) program and was underwritten at 85% of replacement cost. The loan features a 40-year amortization commencing 4 months after construction and a fixed interest rate of 4.00%. The debt service coverage ratio is 1.176.

FINANCED RIGHT[®]

SMF successfully obtained construction and permanent financing for a start-up project at a competitive, fixed, long-term interest rate, and on better terms than were available through commercial financing options. HUD mortgage insurance is an excellent source of capital for the development of market-rate rental housing, and, under certain conditions, age-restricted senior housing. It is also a competitive source of capital to refinance or acquire existing projects.

For more detailed information on how **Elan at Terra Bella** was Financed Right[®] by HJ Sims and Sims Mortgage Funding, please contact:

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