

CASE STUDY

FROSTBURG HEIGHTS APARTMENTS

\$3,440,000 | December 2016 | Frostburg, MD



SIMS MORTGAGE FUNDING (SMF) CLOSES \$3,440,000 LOAN FOR RECAPITALIZATION OF ELDERLY AFFORDABLE HOUSING IN FROSTBURG, MD



“The Sims team provided strong leadership and technical expertise in assisting Diakon with very complex re-financing of Frostburg Heights, an older property in our affordable housing portfolio. Despite numerous obstacles along the way, Sims was able to positively influence efforts of various stakeholders in the process in order to keep us moving forward. We were quite pleased to see the process reach a successful completion, which has positioned Frostburg to access much needed funding for capital improvements and provided for a modest equity cash-out to Diakon as sponsor.”

— Jarrod Leo, Senior VP Finance, Diakon Lutheran Social Ministries

PARTNERED RIGHT

Diakon Lutheran Social Ministries (DLSM), one of the largest Lutheran affiliated social service organizations in the U.S., owns and manages **Frostburg Heights Apartments**, a 110-unit elderly housing project with Section 8 rental subsidies. The Project was built in the early 1980s and needed an infusion of capital. DLSM, passing on conventional financing options, turned to Sims Mortgage Funding to obtain HUD-insured financing.

STRUCTURED RIGHT

SMF obtained a key waiver that enabled us to bypass HUD’s layered real estate owned analysis of DLSM, shortening the financing timeframe. By underwriting the loan based on market value instead of cost to refinance, we maximized the equity cash-out to DLSM. The Project also was approved for a 20-year renewal of its Section 8 contract, ensuring a stable revenue platform well into the future.

EXECUTED RIGHT

The \$3,440,000 loan was insured under the Section 223(f) program and was underwritten at 80% of market value. The loan features a 35-year amortization commencing 2 months after closing and a fixed interest rate that was considerably below projections. The debt service coverage ratio is approximately 1.27. In addition to the cash-out, approximately \$2 million in loan proceeds funded a repair escrow and an initial deposit to the reserve fund for replacements.

FINANCED RIGHT[®]

SMF successfully obtained financing for a recapitalization of an existing, affordable project at a competitive, fixed, long-term interest rate. The recapitalization enabled Diakon to make much-needed improvements that could not be financed from operations and existing reserves.

SMF has closed 4 HUD-insured loans, all for affordable housing projects totaling approximately \$15.2 million, for DLSM since 2011.

For more detailed information on how **Frostburg Heights Apartments** was Financed Right[®] by HJ Sims and Sims Mortgage Funding, please contact:

Andrew J. Patykula
201-307-9383
apatykula@simsmortgage.com

hjsims.com
simsmortgage.com

*HJ Sims is a member of FINRA/SIPC[®]
and is not affiliated with Frostburg Heights Apartments.*

*Sims Mortgage Funding is a wholly owned
subsidiary of HJ Sims & Co Inc.*