

CASE STUDY

GOOD SHEPHERD APARTMENTS

\$2,358,000 | February 2017 | Sauk Rapids, MN



SIMS MORTGAGE FUNDING RECAPITALIZES THREE AFFORDABLE HOUSING PROJECTS WITH ONE HUD-INSURED LOAN



We manage two HUD PRAC facilities and one Section 202 project. Our PRACs are 19 and 22 years old and have never been upgraded with new décor. Since borrowing funds to upgrade a PRAC is not an option and there is not enough funds in the Reserve for Replacement accounts, through the advice and expertise of Sims, we were able to refinance our Section 202 and use the proceeds to upgrade all three of our HUD properties with new décor and mechanical upgrades for the tenant's benefit for years to come. Without Sims leading and directing this process Good Shepherd Homes, Inc. could not have completed this transaction alone. We are so grateful that Sims helped us make the lives of our tenants so much better!

– Bruce Glanzer, President/CEO, Good Shepherd Community

PARTNERED RIGHT

Sims Mortgage Funding (SMF) recently closed a \$2,358,000 HUD-insured loan for **Good Shepherd Apartments**, a 58-unit elderly housing community located in Sauk Rapids, MN. The Project was built in 1979 and financed with a Section 202 Direct Loan. All units are covered with a Section 8 Contract. Located on the same campus as are two additional Section 202 projects which were financed by HUD under the Capital Advance program. Good Shepherd Community is the common Sponsor.

In addition to the Project, the related communities needed improvements; however, because of their capital structure as "Section 202 PRAC Projects", they had no viable funding options on their own.

STRUCTURED RIGHT

SMF identified a financing solution based on the Sponsor's dual goals of providing capital for Good Shepherd Apartments and the PRAC communities. A refinancing loan based on a market-value underwriting would generate sufficient loan proceeds to recapitalize Good Shepherd Apartments, and provide funding for the other buildings.

SMF originated a \$2,358,000 loan insured under the Section 223(f) program that was processed by the Fort Worth HUD Office under the Multifamily Accelerated Processing (MAP) program and approved in 71 days.

EXECUTED RIGHT

New loan proceeds were used to prepay the Project's Section 202 Direct Loan; fund \$343,600 in an initial deposit to the Reserve Fund for Replacements; and, establish a repair escrow of \$482,700. The Sponsor also received a 15% Developer Fee that was fully disbursed at closing. Our underwriting also generated enough additional loan proceeds to fund \$594,000 in capital improvements for the PRAC communities. The escrow established at closing for this purpose provided the Sponsor with flexibility in determining the scope of work for each building.

FINANCED RIGHT[®]

SMF's financing enabled Good Shepherd Community to recapitalize three affordable communities in a single transaction. In addition, the Sponsor benefits from the transaction by earning a Developer Fee and the release of its Residual Receipts account.

For more detailed information on how **Good Shepherd 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 Good Shepherd Community.*

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