

CASE STUDY

MARGATE TERRACE

\$6,435,000 | February 2017 | Margate, NJ



SIMS MORTGAGE FUNDING CLOSES HUD-INSURED LOAN TO PRESERVE AFFORDABLE HOUSING IN NEW JERSEY



"We really appreciated all of the hard work Sims provided our organization. They helped us navigate through a complicated HUD financing process that resulted in considerable financial benefit to the Sponsor, Borrower and our elderly residents."

- Fred Verna, President, Margate Terrace Corporation

PARTNERED RIGHT

Margate Terrace Apartments was developed in the early 1990s under the HUD Section 202 Direct Loan Program. Its primary source of income is a Section 8 HAP Contract which had a remaining term of approximately 16 years. The Section 8 subsidy is sufficient to fund operations and debt service obligations, but the Project had a growing capital needs that could not be financed from operations and current reserve balances. In addition, the Project benefited from a PILOT and Ground Lease Agreements from the City of Margate. The existing agreements did not meet HUD's current loan program requirements and therefore needed to be amended to recapitalize the Project.

STRUCTURED RIGHT

SMF underwrote a new \$6,435,000 loan insured under the Section 223(f) program that was approved by HUD in 45 days.

Approximately \$1,378,000 in loan proceeds were escrowed for capital repairs; \$350,000 was deposited into the Replacement Reserve Fund; and a 15% Developer's Fee was distributed to the Sponsor.

SMF assisted the Project's legal team in structuring revisions to the PILOT and Ground Lease agreements to satisfy HUD's loan requirements.

EXECUTED RIGHT

The new loan reduced the Project's interest rate by nearly 60% and amortizes over a 35-year term. HUD and the Borrower entered into a 20-year renewal of its Section 8 Contract, which extended the Project's subsidy funding for approximately 36 years.

FINANCED RIGHT®

As a result of the SMF loan, Margate Terrace Apartments has a significant source of new capital for improvements and reserves, and a long-term Section 8 funding platform. The Sponsor will be able to continue to provide affordable housing to low and moderate-income elderly for years to come.

This is the fourth affordable housing loan recapitalization SMF has successfully closed for the Project's management agent, Community Realty Management, which operates approximately 7,500 units of rental housing.

For more detailed information on how **Margate Terrace** 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

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