

CASE STUDY

SCOTTISH RITE HOUSE

\$9,586,700 | November 2014 | Philadelphia, PA



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



“We were pleased to be of service to this long-standing organization by assisting them in recapitalizing two elderly properties with one very innovative financing structure.”

— Andrew J. Patykula, Senior Vice President, Sims Mortgage Funding, Inc.

PARTNERED RIGHT

Sims Mortgage Funding (SMF) recently closed a \$9,586,700 HUD-insured loan for **Scottish Rite House**, a 126-unit elderly housing community located in Philadelphia. The Project was built in 1985 and financed with a Section 202 Loan issued by HUD. All of the units are covered with a Section 8 Contract. Adjacent to the Project is the **Scottish Rite Towers**, which was financed by HUD under the Section 202 PRAC program. Both properties have a common Sponsor, a local not-for-profit organization.

Scottish Rite House needed a significant amount of repairs that could not be financed from operations; moreover, the sister facility, the Towers, also needed improvements, but had no viable funding options because of the structure of the PRAC program.

STRUCTURED RIGHT

SMF’s approach was to identify a financing solution based on the Sponsor’s dual goals of providing capital for the Scottish Rite House and Towers. We determined that a refinancing loan based on a market-value underwriting of the Project was likely to generate sufficient loan proceeds to recapitalize the Scottish Rite House *and* provide additional funding for improvements to the Towers.

SMF originated a \$9,586,700 loan insured under the Section 223(f) program that was processed by the Philadelphia HUD Office under the Multifamily Accelerated Processing (MAP) program and approved in 71 days. The loan has a 35 year term, and was underwritten at 80% of the market value.

EXECUTED RIGHT

Loan proceeds were used to prepay the Project’s Section 202 Direct Loan; fund \$523,700 in an initial deposit to the Reserve Fund for Replacements; and, establish a repair escrow of \$2,524,000. The Sponsor also received a Developer Fee of \$1,438,000 that was fully disbursed at closing. SMF’s underwriting also generated enough additional loan proceeds to fund \$1,000,000 in capital improvements for the Scottish Rite Towers. The escrow established at closing for this purpose provided the Sponsor with a considerable amount of flexibility in determining the scope of work for the improvements to the Towers.

FINANCED RIGHT®

SMF’s financing enabled Scottish Rite to recapitalize two affordable projects in a single loan. In addition, the Sponsor benefits from the transaction by earning a Developer Fee.

For more detailed information on how **Scottish Rite House** was Financed Right® by HJ Sims and Sims Mortgage Funding, please contact:

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