

HEMOCROFT | SUPERIOR, WISCONSIN

\$3,100,000 | CMBS | 5.26% INTEREST RATE



Homecroft Manufactured Housing Community

PROPERTY DESCRIPTION:

Homecroft MHC is a 145 space manufactured home community that was being purchased by Park Street Partners, an MHC investor out of California.

The property is located in the town of Superior, WI which is part of the Duluth-Superior MSA on the border of Wisconsin and Minnesota. The MHC was built in the late 1960's and was owned by an older gentleman who had operated the property for the past 25 years.

The availability of affordable housing product in the MSA is very limited, especially for an area that has a good deal of transport and high wage labor jobs.

CHALLENGES:

When Bellwether was brought into the process, the buyer only had 35 days to close the project. Additionally, though it was 90% occupied, it was in a smaller market and was a lower-quality workforce housing property. The seller was unsophisticated and so most of his records were confusing and difficult to follow. Further, the sponsors wanted a non-recourse loan on a 10 year term with a 30 year amortization and had never done a CMBS or Agency loan before.

Due to our experience in MHC, we were able to help the borrower get a year of interest only and 75% LTV on the project all while meeting their timeframe. We used Starwood's CMBS platform due to the quick nature of the transaction and were able to close on time even in a choppy market. There was some pushback from the lender on an increased delinquency at the property, but we were able to

mitigate those issues and still hold close to the same terms that were quoted. Through it all, we closed the loan at only 1 bps over the quoted rate even through spreads had gone out significantly over the period we were working to close the deal.

OPPORTUNITIES:

The borrower is a growing MHC investor who is working on investing a recently raised fund into a number of additional deals. They are very smart and savvy professionals, but are less experienced in the ins and outs of MHC loans in the MBS market. Not only was Bellwether able to help use our in-house expertise in guiding them through the transaction, we were able to refer them to an experienced attorney to help them on the legal side of the transaction as well. These types of value-added relationships and asset specific insight allowed a very tricky deal to get done on time and at favorable terms.

POINTS OF INTEREST:

One other interesting factor in the process was the emotional process for the seller. The property was run by the seller for over 25 years and the transaction held more value to him than just monetary. Part of the process involved when a professional buyer purchases a property from a smaller "mom and pop" operator is catering to the feelings that come about when a legacy owner parts with a property. This is a life change for them as much as a monetary one and is very typical in the MHC business. Navigating these waters can be a make or break part of doing MHC transactions and this deal was no different.

The U.S. is in the midst of a broad housing insecurity crisis that is affecting nearly 19 million low-income families who are homeless or paying more than half of their monthly income on housing. Enterprise's generational goal is to end housing insecurity, which means no more homelessness and no more families paying more than half of their income on housing. As part of the Enterprise family of companies, Bellwether Enterprise is committed to tapping its experience and nationwide network to help achieve this goal.