



**CASE STUDY** | The Whitney Apartments  
Well-located, multifamily property in Sacramento, California

# THE WHITNEY APARTMENTS SPONSOR SECURES BRIDGE LOAN TO FINANCE ACQUISITION AND RENOVATIONS

This 56-unit multifamily property was the perfect investment for a private individual with a tight timeline. The sponsor would need to renovate the apartments, but traditional lenders wouldn't provide financing without execution risk for the sponsor. Ultimately, TerraCotta funded a \$4.9M senior position bridge loan to help the individual acquire the property for \$6.35M with \$450K in renovations invested and the flexibility to draw proceeds from the loan in order to execute the property renovations.

## The Challenge:

The sponsor had recently sold a separate asset and needed to move quickly in order to effectuate a 1031 exchange. The Whitney Apartments had been identified as the replacement asset by the sponsor, but capitalizing the acquisition with traditional lenders came with challenges. The apartment complex was under-managed, and the sponsor's value-add business plan didn't qualify for bank financing because of the redevelopment plan.

Additionally, traditional lenders required the sponsor to personally guarantee loan repayment. The sponsor was short on time and needed certainty of execution without the risk of recourse financing.

## Loan Attributes

- Origination Date: August, 2018
- Asset Type: Multifamily
- Term: 24 months with extensions
- Total Loan Amount: \$4,900,000
- Future Funding: \$450,000
- Loan-to-value: ~75%
- Rate: Variable based on LIBOR plus a spread
- Origination Fees: 1% in / 1% out

## TerraCotta Platform Advantages

- Powerful, proprietary and predictive analytics mean a quick closing and certainty for the sponsor.
- Higher concluded value than the property appraisal leads to more proceeds.
- A creative, flexible mindset allows the loan to be restructured when unforeseen circumstances occur, thereby managing around non-technical default covenants.

### **TerraCotta's Problem-solving Approach:**

Having explored the world of traditional lending and coming up short, the sponsor turned to private debt options. Although many firms with bridge lending facilities competed for the business, TerraCotta had the best combination of pricing, loan proceeds, structure and creativity to meet the sponsor's quick timeline and meet the needs of the sponsor's business plan. TerraCotta's in-house valuation approach limited property appraisal risk, giving the sponsor confidence that TerraCotta could close the loan on time and at the proceeds amount needed to execute the property acquisition.

### **The Outcome:**

TerraCotta provided the sponsor with white-glove customer service, including assistance in their financial reporting, loan draw requests, interest reserve advances and other aspects of the loan mechanics. When the renovation schedule was delayed and certain milestones were not met due to unforeseen circumstances, TerraCotta worked with the sponsor to reset the renovation schedule, allowing more time to stabilize the property. Since then, the sponsor has completed the renovation, re-tenanted the units at higher rental rates and successfully refinanced TerraCotta's position with a Freddie Mac agency loan.

**Want to know if a TerraCotta financing solution is right for you?**

**Visit [terracottagroup.com](http://terracottagroup.com)  
or call 424.269.3800**



## **About TerraCotta**

TerraCotta is an investment firm focused on middle-market commercial real estate credit opportunities throughout the western U.S. Its main investment vehicle is a \$500 million open-ended, discretionary fund that originates and holds until maturity commercial real estate loans for middle-market, transitional properties. It enjoys some of the world's largest and most sophisticated institutional investors as limited partners, including public pension funds, global banks and wealth managers, insurance companies, family offices, endowments and high-net-worth individuals. TerraCotta is a relationship investor that values problem-solving for its sponsors and investors.

Learn more at [terracottagroup.com](http://terracottagroup.com)

