



CASE STUDY | Napa Valley Retail Center
Well-located, nearly stabilized shopping center in Napa, Calif.

NAPA VALLEY RETAIL CENTER SPONSOR SECURES BRIDGE LOAN TO EXECUTE BUSINESS PLAN IN A PANDEMIC

This well-located 40,643 sq.-ft. shopping center was built in 2015 and was 92% occupied, with a Michaels anchor and a diverse roster of national restaurant and local service tenants. An existing mortgage loan through a third-party lender was maturing, and the borrower needed flexibility to both sell a part of the property as well as bridge temporary rent disruptions caused by the COVID-19 pandemic causing credit market turbulence. TerraCotta funded a \$18.6M senior bridge loan, providing the certainty and flexibility the borrower needed to execute their business plan in spite of volatile market conditions.

The Challenge:

The borrower simultaneously faced several significant challenges. The borrower developed the retail center, and then leased and split the property into several parcels in order to sell one to a third party. The borrower was trying to close the sale of an adjacent parcel, but needed TerraCotta's loan on the retained subject property to close concurrently with the sale in order to pay off the combined property's existing maturing mortgage loan.

Compounding this challenge, the COVID-19 pandemic had shuttered most retail stores and triggered a major dislocation in the real estate capital markets. As a result, the borrower was in the difficult position of facing a transaction deadline with limited loan options, since most traditional commercial real estate lenders pulled back from loans secured by retail properties.

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Loan Attributes

- Origination Date: July 2020
- Asset Type: Retail center
- Term: 18 months with extensions
- Total Loan Amount: \$18,600,000
- Loan-to-value: ~75%
- Rate: Variable based on LIBOR plus a spread
- Origination Fees: 1% in / 1% out
- Extensions: Two 3-mo. options

TerraCotta Platform Advantages

- Powerful, proprietary and predictive analytics mean a quick closing and certainty of loan proceeds for the sponsor.
- Fully discretionary capital allows TerraCotta to issue a term sheet, perform due diligence and close the loan in 3 weeks during the COVID-19 quarantine.

TerraCotta's Problem-solving Approach:

A data-driven, highly sophisticated methodology allowed TerraCotta to provide certainty in its loan terms and execution in spite of the volatile market. TerraCotta was able to move quickly, performing all due diligence and closing the loan during the quarantine period, when most of California was closed for business. TerraCotta worked with the borrower on a flexible loan structure, which provided an interest reserve to account for ongoing negotiations with a couple of tenants on temporary rent deferment. In addition, TerraCotta provided a parcel release structure, allowing for partial loan paydown to maximize the borrower's strategic exit options.

The Outcome:

TerraCotta was able to offer a financing solution that was on time and as promised — allowing the borrower to fully execute their strategic and financial plan. The client's trust in the certainty of execution, agility and high-touch support gave them the confidence that TerraCotta would deliver a successful closing.

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

**Visit 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