A seasoned California developer is seeking approximately $200 million in construction funds to build a seaside resort with a hotel and rental bungalows in Montecito, Calif., near Santa Barbara, Mortgage Observer Weekly has learned.

Caruso Affiliated, the Los Angeles-based developer of malls like the Grove and the Americana in Southern California, bought the property where it plans to build the Miramar Beach Resort & Bungalows, in 2006, according to reports. The developer's plans were later

See Developer Seeking... continued on page 3

Bank of China to Provide $550M for Moinian Group 80/20 Development

New York's mayor of six months has remained relatively mum about the finer details of his affordable housing plan, but the deals may soon start to speak for themselves.

Bank of China is close to finalizing a deal that will provide $550 million in HFA credit enhancement bonds to fund the construction of the Moinian Group's 80/20 residential development at 605 West 42nd Street, sources familiar with the transaction told Mortgage Observer Weekly exclusively.

The construction financing on the 60-story rental apartment property is due to close in the upcoming weeks and will carry a term of four years, according to one person privy to the negotiations who spoke on background. The debt will be provided in the form of low-interest rate bonds sold to third-party investors, that person said.

Joseph Moinian's real estate development firm, based in Midtown Manhattan, began construction on the apartment tower in

See Bank of China... continued on page 3

“Due to today's aggressive cap rates, property owners are looking to reposition and enhance their investments over a one to three year period.”

— Jeff Baevsky
From Q&A on page 12
Sampling of 2014 Closed Transactions

- **$24,600,000**
  - Construction financing for 165 unit multi-family property
  - Fairfield, CT

- **$25,712,000**
  - Permanent financing of a 22-story multi-family property
  - New York, NY

- **$37,000,000**
  - Non-recourse, ground up construction financing for a 30-story hotel building
  - New York, NY

- **$25,500,000**
  - Permanent financing of a 72,000 s/f hotel
  - New York, NY

- **$20,490,000**
  - Non-recourse ground up construction financing of three residential buildings
  - Bronx, NY

- **$22,000,000**
  - Permanent financing of multi-family building
  - New York, NY

- **$120,000,000**
  - Acquisition and construction financing for a condo conversion
  - New York, NY

- **$10,400,000**
  - Permanent financing for three multi-family buildings
  - New York, NY

- **$32,500,000**
  - Permanent financing for a nine story commercial office
  - Queens, NY

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- Debt • Equity • Mezzanine
- Construction • Bridge • Private • Joint Ventures

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2013. Plans to erect the 60-story building at the corner of 11th Avenue were filed with the New York City Department of Buildings in April 2013.

The completed 1.16-million-square-foot tower will contain 1,174 apartment units in addition to 50,000 square feet of retail space along 11th Avenue and a parking garage with just under 500 spaces, a source said via email. About 235 of the studio, one- and two-bedroom units will be priced below-market rate.

Construction on the building’s core now reaches the 14th story and is expected to come to a close in late 2015, said one person familiar with the deal. Once completed, 605 West 42nd Street will be the largest residential development in Manhattan since Battery Park City.

In 2005, Moinian paid Verizon $120 million for the property’s site, which at the time contained a parking garage and an industrial building, according to city records.

Natixis Real Estate Capital provided a $109 million loan on 605 West 42nd Street in December 2012 to refinance previous debt from Wachovia and KeyBank following the developer’s acquisition of the property.

Bank of China and the Moinian Group declined to comment on the upcoming round of HFA financing. —Damian Ghigliotty

Developer Seeking....continued from page 1

shelved, when the recession hit.

Now, plans are back on, Rick Caruso, the CEO of the eponymous firm, told Mortgage Observer Weekly today. He is “in the very early stages” of construction at the building and currently seeking construction funds, likely from a syndicate of banks, due to the size of the loan.

“We have relied on PNC, J.P. Morgan, Bank of America and Wells Fargo” in the past, Mr. Caruso said. He added that he also hopes to splice in funds from smaller banks, such as East West Bank or First Republic Bank.

The project will rise on 16 acres in celebrity-studded Montecito, on the site of the former Miramar By the Sea Hotel, according to published reports. The finished resort will have 186 keys and numerous pools, as well as private beachfront.

The project was approved in 2008 but delayed further after the local planning commission asked for numerous changes to the plan and some residents sued, reports show. In March 2012, Caruso received a one-year extension to start the project, according to documents filed with the Santa Barbara Board of Supervisors.

Demolition of the existing hotel began in 2013. The new project is all new construction, Mr. Caruso confirmed.

Caruso’s other projects in the area include the Paseo Nuevo, an outdoor shopping mall in Santa Barbara, which opened in 1990. Following his usual approach to financing, Mr. Caruso plans do a “takeout” of the construction funds later, likely from a life company.

“I like life companies because I like the relationship,” he said. “Having a long-term relationship is great.”

In January, Caruso took out permanent financing on 8500 Burton Way from MetLife to replace the construction funding on the Beverly Hills residential rental project, Mr. Caruso said.

Overall, Caruso’s approach to finance is very straightforward, Mr. Caruso said. “We have not used mezz. No ‘tricky’ financing,” he said.

—Guelda Voien
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Lending Group Provides $350M Unsecured Loan to Health Care REIT

A group of 16 local, national and international lenders, including Wells Fargo, RBS Citizens, Citibank and Mizuho Bank, took part in a syndicated $350 million unsecured term loan on behalf of Senior Housing Properties Trust, the health care REIT announced earlier this week.

The new debt, which matures on Jan. 15, 2020, can be prepaid at any time without penalty and carries an interest rate set at Libor plus 140 basis points. The interest rate is subject to adjustments based on future changes to the borrower’s unsecured debt ratings.

SNH plans to use the loan’s net proceeds to “repay amounts outstanding under its revolving credit facility, to repay certain existing mortgage notes and for general business purposes,” according to a press release from the borrower.

Wells Fargo Securities and Jefferies Finance served as joint lead arrangers on the loan. A spokesperson for Wells Fargo declined to comment further on the transaction.

Senior Housing Properties Trust, based in Newtown, Mass., owns independent and assisted living communities, medical office buildings, nursing homes and wellness centers throughout the country. —Damian Ghigliotty

Wells Fargo Finances Luxury Apartment Acquisition in Louisiana

Wells Fargo originated a $27.3 million Fannie Mae loan to help finance the acquisition of a luxury apartment community in Lafayette, La., Mortgage Observer Weekly has first learned.

Yonkers, N.Y.-based AVR Realty acquired the 280-unit property, Chateau Mirage, from local developer and State Farm agent John Montesano on May 27, the same day that the loan closed. AVR purchased the complex at 1630 Rue Du Belier for about $40 million, the new owners said.

The 10-year Fannie Mae loan carries a fixed interest rate “well below 4 percent,” according to Brian Manion, a managing director at Wells Fargo Multifamily Capital, who oversaw the deal.

“We buy and sell too much.” —Damian Ghigliotty

Capital One Forms New Multifamily Finance Division

Capital One combined its balance sheet and agency lending groups to form Capital One Multifamily Finance earlier this week, the company said in a press release. The new division will help the bank establish a West Coast presence in its balance sheet lending for multifamily borrowers, Capital One executives told Mortgage Observer Weekly.

With the acquisition of Bethesda, Md.-based multifamily lender Beech Street Capital in November 2013, Capital One added nine offices, increasing its multifamily presence across the U.S.

“We are now a full-service multifamily provider, and our clients will be able to take advantage of our one-stop banking solution encompassing a full range of banking services, including agency program loans, bank balance sheet loans, treasury services and capital markets solutions,” Grace Huebscher, the head of agency multifamily finance for Capital One and former president of Beech Street, told Mortgage Observer Weekly.

With the strength of Capital One balance sheet financing in East Coast markets, the Beech Street acquisition and multifamily unit formation will help the firm gain a stronghold in West Coast markets as well.

California is the “largest U.S. multifamily market in terms of property sales,” said Ms. Huebscher. “We intend to deliver our balance sheet capabilities to key California markets, including the Bay Area, Los Angeles County and Orange County.”

As Mortgage Observer Weekly previously reported, the first collaborative deal made by Beech Street and Capital One closed in November 2013. The company provided a $34 million, 10-year loan to the Galman Group to refinance Valley Forge Towers North, a 242-unit apartment building in King of Prussia, Pa.

Several months following the deal, Capital One ranked in the top five of U.S. multifamily originators, the firm said. (Capital One did not participate in this year’s Mortgage Bankers Association origination ranking, however).

According to Ms. Huebscher, a recent study completed by Capital One shows apartment properties remain in high demand.

“We expect that demand will largely outstrip supply in terms of properties, which means that pricing will be competitive. We have seen values increase, and our survey found that trend should continue,” she said.

“Many investors will look at renovating older properties. I think all signs are that investors will be net buyers and the fundamentals of the sector will continue to be strong.” —Jennifer Henderson
Panel topics include:

- Lending: Is it Déjà vu All over Again?
- How to Make Money in CMBS 1.0
- Finding Opportunities & Navigating Challenges in the High Yield Market: How the Pros Do It
- Borrowers Answer the Question: Who’s Your “Lending” Daddy?
- Outlook: Bank & Insurance Lending
Developer Scores $20M in Construction, EB-5 Funds to Redevelop Hotel

Shaffin Jetha’s MVH Baltimore Hotels closed about a $14 million construction and acquisition loan, as well as $6 million in so-called EB-5 funds to buy and redevelop a historic hotel in the Mount Vernon section of Baltimore, Mortgage Observer Weekly has first learned.

The Baltimore-based developer closed the mortgage, from Virginia Heritage Bank, last Thursday.

At the moment, the five-story Mount Vernon Hotel, an aged but sturdy building, per reviews on Yelp, occupies 24 Franklin Street. “You know how you see an older person who dresses well and looks good even at their advanced age? Well, that’s kind of how I felt about this place,” one review reads. MVH just bought the building for $6.3 million, he said.

The loan has a six-year term, a rate of 300 basis points over the 30-day Libor and is interest only for 24 months, Mr. Dollman said.

The Indigo brand is franchised by InterContinental Hotels Group, which owns or manages more than 4,700 hotels in 100 countries.

“The Hotel Indigo Baltimore location will be a boutique hotel experience designed to reflect the culture, character and history of the surrounding Mount Vernon neighborhood,” Mr. Jetha said in a statement provided exclusively to MOW. “The story of the neighborhood will be woven throughout the guest experience—from the locally sourced food and drinks served in the restaurant and bar to the art, photography and architecture incorporated into the hotel’s design.”

The project will utilize EB-5 funds from an entity called Oriental Dolphins Investments, a “regional center” that sources low-cost funds from Chinese investors, Mr. Dollman confirmed. He said using the novel financing program, which allows investors providing capital for some job-creating real estate projects in the U.S. to receive green cards, was the developer’s idea.

“[Mr. Jetha] has done a lot of tax credit deals. He always looks for a different source of funding,” said Mr. Dollman. The federal EB-5 program allows investors to come to the U.S. and provides nearly no-cost capital to developers whose projects qualify.

“Financing is at below-market rates, because EB-5 investors are looking to the green card benefits as their principal compensation for investment,” said Kate Weaver, a CPA and manager of ODI, in a statement. “This is one of the first EB-5 investment funded projects in Baltimore, but our company has plans for several apartments, offices and assisted living projects in Baltimore and the District of Columbia.”

The project should be complete by 2015.

Mr. Jetha’s previous experience includes developing the Hampton Inn and Suites, also in Baltimore. —Guelda Voien

CIH Ventures Receives M&T Loan and Equity Financing for D.C. Apartment Complex

Silverspring, Md.-based CIH Ventures received a $27.6 million loan from M&T Bank and an $11.8 million in round of equity for the acquisition of a high-rise, garden-style apartment community in southwest Washington, D.C.

The residential acquisition and development firm acquired the gated community, Vista at Wingate and the Gardens at Wingate, includes 24-hour security, two swimming pools, a community room and laundry facilities.

The multiple buildings, which offer a mix of units ranging from studios to five-bedroom apartments, recently underwent renovations and have been “totally refurbished,” according to the CIH spokesperson.

“CIH is a 40-year-old, local company committed to providing quality work-force housing to underserved submarkets in Washington D.C.,” he told Mortgage Observer Weekly. “Our vision for the Vista at Wingate and the Gardens at Wingate is to return the properties to their former places of prominence in the southwest Washington, D.C., housing market, as envisioned by the original developer, Calvin Cafritz.” —Damian Ghigliotty
Interests always aligned...
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ONE FIRM
Avison Young Secures Financing for Los Angeles Multifamily Portfolio

The publicly held United Realty Trust Incorporated has received a $103 million CMBS loan from Starwood Capital Mortgage for the New York-based REIT's acquisition of a medical office building in Myrtle Beach, S.C., Mortgage Observer Weekly has first learned.

The loan, which closed on May 21, the same day as the acquisition, carries a 10-year term and a fixed interest rate of 4.78 percent. United Realty acquired the 44,323-square-foot building from one of the property's existing tenants for $15.7 million before the asset hit the marketplace.

“This asset worked beautifully for multiple reasons,” United Realty’s co-founder Jacob Frydman told MOW. “It’s in Myrtle Beach, which is a haven for retirees, it has a lease structure with rental increases liked to [consumer price index], and it is very close to the only large regional hospital in the area.”

The two-story medical office building at 945 82nd Parkway sits on three acres of land and is fully occupied by three health care tenants—Carolina Health Specialists, Grand Strand Regional Diagnostic and Women’s Center and Cardiology Gastroenterology Associates, which originally built the property in 1999. The building is located adjacent to the area’s Grand Strand Regional Medical Center, a general care hospital with a medical staff of 900 people, including more than 275 physicians.

The medical office building includes 224 outdoor parking spaces and features a steelframe and brick veneer, stone veneer and stucco exterior finishes.

“There are 10,000 Americans turning 65 every single day for the next 18 years,” Mr. Frydman said. “We believe that an area of real estate growth is medical and medical-related space.

“We’re a dual-strategy REIT,” he added. “We invest about half of our proceeds in stabilized cash-flowing deals that have inflation-protected leases. The second leg of our dual strategy is to invest in opportunistic and value-added real estate.” —Damian Ghigliotty

The portfolio consists of 325 multifamily units across seven Class B properties, mostly in the Silver Lake and Hollywood neighborhoods of Los Angeles.

“I look forward to building on the relationship with Avison Young to manage the portfolio’s existing assets and future development initiatives throughout the country,” said Lance Robbins, the COO of Urban Smart Growth, in a statement. “We were particularly impressed with the team’s in-depth knowledge of the capital markets landscape relative to our specialized focus on complex urban renewal and turnaround projects.” —Jennifer Henderson

Starwood Capital Mortgage Lends on Medical Office Acquisition

The two-story medical office building at 945 82nd Parkway sits on three acres of land and is fully occupied by three health care tenants—Carolina Health Specialists, Grand Strand Regional Diagnostic and Women’s Center and Cardiology Gastroenterology Associates, which originally built the property in 1999. The building is located adjacent to the area’s Grand Strand Regional Medical Center, a general care hospital with a medical staff of 900 people, including more than 275 physicians.

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Work Force

HKS Capital Partners has appointed Lennon Stravato, 33, vice president of private equity, the firm announced. He specializes in structuring nontraditional financing.

Prior to joining HKS, Mr. Stravato served as a managing director at Socap Capital and as senior asset manager at Blair International, a family office, according to his LinkedIn page.

“We are excited to add Stravato to HKS Capital Partners,” said HKS co-principal Ayush Kapahi in a statement. “He adds a private equity focus to the structured finance prowess of the rest of the HKS team and positions this firm to make a profound impact on the real estate investment industry.”

IVI International, a White Plains-based risk management services firm, announced that Sara Kelm has joined the firm as vice president of business development for the central region. She will work out of the firm’s Chicago office and manage the Midwest client base, according to a statement from the company.

“Sara has extensive experience in client relationship building and is a tremendous addition to the IVI team. We are extremely pleased that Sara has chosen IVI as she enters the next stage of her career,” said Linda Bryson, a principal of IVI.

Prior to joining IVI, Sara spent 10 years at Chicago Title, where she was responsible client relationships and contract negotiations.
The Takeaway

“Another block of assets that is up for auction in May and June started to flow through remittance data this month, which sent volume and severity up after a lull in April,” said Joe McBride, a research analyst with Trepp. “Liquidated loan volume reached $1.02 billion in May, up from $844.16 million in April. Of the loans that were liquidated, 84 percent (by balance) fell into the greater than 2 percent loss severity category. May loss severity registered 48.94 percent, up nine percentage points from April’s 39.77 percent and just above the 12-month moving average of 47.62 percent.”

Includes Loss Severities < 2%

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Date | Loan Count | Loan Balance | Realized Losses | Loss Severity |
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Source: Trepp
New York Real Estate Summit

State of the Commercial Real Estate-Outlook for 2015

Wednesday, September 10, 2014-8:00 AM to 1 PM

Graduate Center of the City University-365 Fifth Ave, New York City

Schedule for the event:

7:30 AM-8:30 AM: Registration & breakfast
8:30 AM-9:30 AM: CEO’s View on the market: Where are we headed in 2015?
9:40 AM-10:40 AM: The hot, hot, residential market in the region
10:40 AM-11:00 AM: Coffee Break
11:00 AM-12:00 Noon: Sources of debt, equity & alternative financing for commercial real estate
12:00 PM-1:00 PM: Emerging Trends & areas of growth in the office market

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www.thestolerreport.com
Jeff Baevsky
Managing Director, Greystone

Q+A

**Mortgage Observer Weekly: How did you get started in commercial real estate finance?**

**Mr. Baevsky:** As a graduate student at MIT, I majored in finance with a concentration in real estate. My first position was on Wall Street, where I worked at BTCo/Deutsche Bank in real estate investment banking. My career focus and passion have always been in commercial real estate capital markets. A common theme was being at a company where I was always being able to offer clients innovative capital solutions. The industry is cyclical, with each top and bottom needing new ideas and products to capitalize on the opportunities ... whether it's Asian bank lending in the 1980s, the [Resolution Trust Corporation] recovery in the early 1990s, the growth of CMBS in the 2000s, trading in distressed debt during the recent economic downturn or taking advantage of the current multifamily acquisition and development opportunities of today. The cycles never stop.

Tell me about your transition from Gramercy Capital Corp. to Greystone.

In 2012, Gramercy Capital Corp. converted from being a specialty finance mortgage REIT into Gramercy Property Trust, an equity investor of net leased properties. My responsibilities changed from secondary loan trading and syndication into a debt capital markets role. I was always interested in returning to a firm focused on CRE fixed income. Greystone is one of the largest and most successful companies focused on multifamily, senior and health care finance, so I was excited to have the opportunity to help grow the firm's lending platform.

What does your new role entail?

I am responsible for Greystone's project finance and program activities, maintaining relationships with bank and nonbank lending sources and managing loan syndication and senior note sales. I'll also be working on new product development to address our clients' financing needs. By expanding our capital capacity, Greystone will be able to continue exploring new and innovative ways to provide clients with creative solutions to meet their financing requirements. For example, I am helping to expand our warehouse lending relationships, which support Greystone's bridge lending programs.

What kinds of borrowers are most often in need of “specialty finance”?

Borrowers who are acquiring properties that are not ready for permanent financing but still seek to obtain maximum nonrecourse leverage. Due to today's aggressive cap rates, property owners are looking to reposition and enhance their investments over a one-to-three-year period, to create value prior to a sale or refinance. We bridge these acquisitions with financing, which is usually 80 percent loan to cost. Upon stabilization, we then provide the borrower with favorable long-term financing solutions including Fannie Mae, Freddie Mac or FHA loans or even a traditional CMBS loan alternative.

What trends are you currently seeing in the markets you serve?

There are many bank and finance companies chasing deals, which is putting upward pressure on pricing and underwriting risks. Being one of the largest GSE lenders, Greystone is able to originate and aggregate small bridge loan product for syndication or sale to lenders that do not have the infrastructure in place to obtain a pool of similar quality loans. In addition to being a lender throughout the entire debt stack, Greystone is an experienced property owner, manager and developer with a specialized focus on multifamily and healthcare properties, allowing us to deploy capital in less competitive geographic markets and sectors.

Jeff Baevsky
Managing Director, Greystone

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MORTGAGE OBSERVER
The Insider’s Guide to the Commercial Real Estate Financial Industry

*Mortgage Observer* is a monthly glossy magazine dedicated to in-depth coverage of the commercial real estate finance industry, delving into the trends driving commercial real estate finance and the lending philosophies of those in control of the purse strings.

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