

## Case Study: Whispering Hills

### Facility Type:

Affordable Housing

### Location:

Port Byron, Illinois

### Project Objective:

Acquisition and Substantial Renovation

### Financing Amount:

\$1.6 million

### Source of Funding:

Fixed-rate loan guaranteed by the USDA Section 538 Program and 9% tax credits.

### Background and Challenges

Whispering Hills is a 72-unit family project located in Port Byron, a small community in Northwestern Illinois. The borrower, Chicago-based General Capital, was seeking financing to acquire the property and provide much-needed repairs to the deteriorating apartments. The borrower was awarded 9% low income housing tax credits and was able to re-amortize the property's existing USDA 515 debt. However, there was still a significant funding gap that needed to be filled in order to complete the repairs of \$45,000 per unit.

### Financial Solution

Lancaster Pollard recommended utilizing the USDA Section 538 guaranteed loan program in conjunction with the 9% low income housing tax credits. The firm underwrote and funded the Section 538 mortgage loan and worked with all parties to meet the numerous deadlines and funding requirements.

Lancaster Pollard maintained the client's favorable credit pricing by changing the loan type from a permanent only loan to a construction/permanent loan late in the process. This allowed the developer to draw on the loan through monthly draws, therefore avoiding an equity bridge loan that could have negatively altered the project's credit pricing.

### Outcome

By utilizing the USDA 538 program, Lancaster Pollard provided the borrower with a non-recourse loan with a 40-year term and amortization schedule meeting the borrower's need for long-term financing. The flexibility of the USDA 538 program and its beneficial loan terms provided the borrower more leeway with its tax credit pricing and a higher return from cash flow. The project's low loan-to-value ratio of 60% provided for a less leveraged property and less default risk for the borrower.

### *Financing Progress*

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