



Red Oak Capital Holdings provides \$5.5 million for Gulf Coast LIHTC asset

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Ocean Springs, MS Red Oak Capital Holdings, LLC has provided \$5.46 million in financing for The Breakers Apartments, a 96-unit garden apartment community. The loan was written under the firm's Core-Plus Bridge Loan Program, a fixed-rate program for institutional-quality assets in transition. The proceeds will be used to acquire and partially renovate the Jackson County property, which currently operates under the Low-Income Housing Tax Credit program.

The interest-only loan has an initial term of two-years with two extension options of six months each. The non-recourse debt also carries an all-in rate of 9.50% and represents 60.00% of the property's stabilized value. Jeff Joyner, Red Oak's regional manager-southeast, along with Hermann Wendorff, senior underwriter, and Jesus Martinez, senior loan administrator, originated and underwrote the loan.

"The Breakers represents the second affordable housing community that Red Oak has financed with this borrower," said Gary Bechtel, Red Oak's CEO. "With most of the units having already completed renovation and the sponsor's proven business plan, we're confident in its plans to have the community fully stabilized within the next two years."

Situated on 6.5 acres at 8100 Seaman Rd., Breakers Apartments is comprised of three, four-story buildings housing 96 one-, two-, and three-bedrooms units averaging 1,039 s/f, as well as a clubhouse and maintenance building. Built in 2009, the 98% occupied community also features a business center, fitness center, laundry facilities, playground, outdoor pool, picnic area, volleyball court and 190 parking spaces.

The sponsor, The Breakers Property Owner LLC, consists of seasoned multifamily operators with more than 1,600 units under management across the Southeast, 479 of which are LIHTC units. It intends to complete the renovations initiated the seller last year as tenants are cycled through. Planned cosmetic upgrades including new flooring and paint, as well as HVAC maintenance, reglazing existing kitchen countertops and replacing appliances in a majority of the units.

The community operates under a land use restrictive agreement (LURA) through 2047 that requires the units to be rented to households earning less than the area median income. In line with the upgrades, the sponsors will attempt to increase rents by charging new tenants for utilities as well as

employing more Section 8 or project-based vouchers that would allow for rents greater than the limits imposed by the LURA. The sponsors have successfully executed this strategy on other LIHTC properties in the past.

“As one of the more prosperous cities in Metro Gulfport-Biloxi, Ocean Springs has enjoyed above-average economic growth, with higher median incomes and housing prices compared to other Coastal Mississippi markets in recent years,” said Joyner. “That growth, combined with significant land constraints, has increased the need for affordable housing options, which The Breakers certainly addresses.”

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