

# Webinar

## ULI Washington WLI: Southern Management's \$2.4B Transaction

Date: July 13, 2020

00:00:00 --> 00:00:04: In commercial real estate. As a result of the work  
 00:00:04 --> 00:00:08: done by Wli nationally in the last eight years,  
 00:00:08 --> 00:00:13: you IDC has 32% of its members as women national.  
 00:00:13 --> 00:00:16: You alive female members grew from 20%  
 00:00:16 --> 00:00:19: in 2012 to 28% in 2019,  
 00:00:19 --> 00:00:24: and 33% of all knew you ally members are female.  
 00:00:24 --> 00:00:28: All the women members of ULI are members of Wli.  
 00:00:28 --> 00:00:32: Wii has set up programs like market Exchange that encourages  
 00:00:32 --> 00:00:36: women to travel together and learn about other siari markets  
 00:00:36 --> 00:00:37: from up from their counterparts.  
 00:00:37 --> 00:00:41: Spent setup speaker lists that include qualified women who are  
 00:00:41 --> 00:00:42: experts on topics.  
 00:00:42 --> 00:00:46: The circles program that encourages women to network with a  
 00:00:46 --> 00:00:49: group of others and shared thoughts and ideas in a  
 00:00:49 --> 00:00:51: confidential environment.  
 00:00:51 --> 00:00:54: Part of all this is positioning Wli as a resource  
 00:00:54 --> 00:00:58: for all people that want to engage women more deeply  
 00:00:58 --> 00:00:58: in CRE.  
 00:00:58 --> 00:01:01: WRLI provides ways to get involved,  
 00:01:01 --> 00:01:04: steering committee applications open in the spring,  
 00:01:04 --> 00:01:08: and new subcommittees will be established in the fall.  
 00:01:08 --> 00:01:11: We encourage all DC members to join.  
 00:01:11 --> 00:01:13: You can volunteer and come to events.  
 00:01:13 --> 00:01:17: Wli started to create an environment to connect,  
 00:01:17 --> 00:01:19: grow and learn from others.  
 00:01:19 --> 00:01:23: Coming back to this spectacular program and it's one of  
 00:01:23 --> 00:01:28: the largest financing transactions for Walker and Dunlop and

Southern  
Management and Fannie Mae.  
00:01:28 --> 00:01:30: This closed during one of the most unprecedented times in  
00:01:30 --> 00:01:34: the economy and COVID-19 Sudden Management  
00:01:34 --> 00:01:38: Corporation is one of  
00:01:38 --> 00:01:42: the largest privately owned residential property owners in the  
area  
00:01:42 --> 00:01:47: that Refinance 60 seven of its multifamily properties with  
Fannie  
00:01:48 --> 00:01:52: Mae with Walker and Dunlop as the lead dust lender.  
00:01:52 --> 00:01:55: The panel panelists will discuss the transactions for about 40  
00:01:56 --> 00:01:58: minutes and then they'll be time for Q&A.  
00:01:58 --> 00:02:01: Please type your questions in the Q&A box again.  
00:02:01 --> 00:02:04: If you're having technical difficulties,  
00:02:04 --> 00:02:08: please put them in the chat box at the bottom  
00:02:08 --> 00:02:09: of the page.  
00:02:09 --> 00:02:12: I wanted to also thank our sponsors for the program  
00:02:12 --> 00:02:14: Walker and Dunlop.  
00:02:14 --> 00:02:16: The lender on the transaction.  
00:02:16 --> 00:02:20: Chicago title insurance company, and Fidelity National title.  
00:02:20 --> 00:02:25: Both companies with our partner transaction and helped it to  
00:02:25 --> 00:02:27: get it across the finish line.  
00:02:27 --> 00:02:32: We also wanted to thank all our sponsors for you  
00:02:32 --> 00:02:37: a lie that make up programming fonts possible that includes  
00:02:37 --> 00:02:38: the icons,  
00:02:38 --> 00:02:41: sponsors, principle, platinum, gold, Silver,  
00:02:41 --> 00:02:46: bronze and contributing sponsors or listed on these slides.  
00:02:52 --> 00:02:57: Although there are only four people discussing this  
transaction,  
00:02:57 --> 00:03:01: there are many more people involved in the process.  
00:03:01 --> 00:03:06: There are two slides that outline the deal team.  
00:03:06 --> 00:03:08: Megan, do you want to go to the team slides  
00:03:08 --> 00:03:08: at the back,  
00:03:08 --> 00:03:10: yeah?  
00:03:10 --> 00:03:13: Like the two slides without climb the deal team.  
00:03:13 --> 00:03:16: Not only was this a phenomenal transaction,  
00:03:16 --> 00:03:20: but the number of women involved and at higher levels  
00:03:20 --> 00:03:24: was impressive and something that would have not been  
likely  
00:03:24 --> 00:03:25: a decade ago.  
00:03:25 --> 00:03:28: All the women's names involved in the transaction are bolded  
00:03:29 --> 00:03:30: on the two slides.  
00:03:32 --> 00:03:36: Coming back again, the individuals engaged in the

conversation are

00:03:36 --> 00:03:37: Suzanne Hillman,

00:03:37 --> 00:03:42: who's the Chief Executive officer of Southern Management Corporation.

00:03:42 --> 00:03:44: Sudden is one of the largest owners,

00:03:44 --> 00:03:48: operators of multifamily real estate in the country,

00:03:48 --> 00:03:51: and manage is a full plus billion dollar state portfolio.

00:03:51 --> 00:03:57: Suzanne oversees all aspects of Southern's operations Southern Management Corporation

00:03:57 --> 00:04:00: was the borrower on 2.4 billion transaction.

00:04:00 --> 00:04:04: Brandon Coleman was a senior managing director and head of

00:04:04 --> 00:04:05: Walker Dunlop's,

00:04:05 --> 00:04:06: Washington DC based editor.

00:04:09 --> 00:04:13: Leadership and expertise also forms a key element in the

00:04:13 --> 00:04:16: combined go to market structure for Walker and Dunlop's,

00:04:16 --> 00:04:19: lending an investment sales team in Athens.

00:04:21 --> 00:04:25: Welcome down Up was the debt lender for the transaction.

00:04:25 --> 00:04:29: Jeffrey Hayward Jeff is the Fannie Mae's executive vice president

00:04:29 --> 00:04:30: and head of multifamily.

00:04:30 --> 00:04:35: Jeff is responsible for all the company's multifamily business functions

00:04:35 --> 00:04:36: and in addition,

00:04:36 --> 00:04:40: Jeff leads the company's efforts on affordable housing.

00:04:40 --> 00:04:44: Fannie Mae was the agency lender in the transaction.

00:04:44 --> 00:04:48: And then Leslie Ludwig Leslie is the co-founder of L&L

00:04:48 --> 00:04:51: Advisors Commercial Real estate consulting firm.

00:04:51 --> 00:04:55: She's retired, retired, partner from the JBG Companies,

00:04:55 --> 00:05:00: where she oversaw finance, accounting and other corporate functions.

00:05:00 --> 00:05:03: Leslie continues to be active in advancing diversity in the

00:05:04 --> 00:05:08: industry by providing mentoring and leadership to individuals and companies

00:05:08 --> 00:05:10: and commercial dealers.

00:05:10 --> 00:05:14: Ellen and Advisors was the consultant to the borrower on

00:05:14 --> 00:05:15: the transaction.

00:05:15 --> 00:05:18: I now hand it over to Suzanne to talk about

00:05:18 --> 00:05:19: SMC and the transaction.

00:05:21 --> 00:05:27: Good afternoon everyone. Thank you for the opportunity to be

00:05:27 --> 00:05:28: here today.

00:05:28 --> 00:05:31: Before I talk about our refinancing transaction,

00:05:31 --> 00:05:34: I wanted to tell you a little bit about Southern,

00:05:34 --> 00:05:38: as many people may never have heard a southern.

00:05:38 --> 00:05:43: Understanding who we are and how we operate is key

00:05:43 --> 00:05:46: to understanding how we tackled.

00:05:46 --> 00:05:49: Are refinancing.

00:05:49 --> 00:05:53: Southern is a privately owned management company that started in

00:05:53 --> 00:05:57: 1965 with the acquisition of our first property located in

00:05:57 --> 00:05:59: Prince Georges County,

00:05:59 --> 00:06:01: Maryland.

00:06:01 --> 00:06:06: Sudden group by acquiring or developing one property at a

00:06:06 --> 00:06:08: time over the years.

00:06:08 --> 00:06:11: By the way, I should note that we still own

00:06:11 --> 00:06:13: that first property,

00:06:13 --> 00:06:17: and it is one of the underlying assets of the

00:06:17 --> 00:06:22: refinancing transaction that is the focus of today's discussion.

00:06:22 --> 00:06:29: Today Southern is one of the largest multifamily owner operators

00:06:29 --> 00:06:30: in the nation.

00:06:30 --> 00:06:34: Southern has about 1500 employees.

00:06:34 --> 00:06:40: We manage a 4.9 billion dollar real estate portfolio that

00:06:40 --> 00:06:44: consists of 77 apartment communities.

00:06:44 --> 00:06:50: More than 25,000 units. Approximately 1,000,000 square feet of commercial

00:06:51 --> 00:06:52: office space.

00:06:52 --> 00:06:55: Anne for hotel and conference centers,

00:06:55 --> 00:06:58: including his ski resort.

00:06:58 --> 00:07:01: With the exception of our ski resort,

00:07:01 --> 00:07:04: which is located in Lehigh Valley,

00:07:04 --> 00:07:09: PA. All of our properties are located in the Baltimore

00:07:09 --> 00:07:11: Washington Metro area.

00:07:11 --> 00:07:17: Southern is different than your typical multifamily on our operator.

00:07:17 --> 00:07:22: We have a buy and hold philosophy philosophy and accordingly

00:07:23 --> 00:07:26: we operate with a long term view on things.

00:07:26 --> 00:07:28: That is one of Southern ski,

00:07:28 --> 00:07:34: an essential differences. Another is the large and extensive investment

00:07:34 --> 00:07:37: in the training of our team members.

00:07:37 --> 00:07:41: We consider it to be the best in the industry

00:07:41 --> 00:07:45: and well worth the cost when placed into the framework

00:07:45 --> 00:07:47: of a long term point of view.

00:07:47 --> 00:07:51: We invest for today and the tomorrow an we had

00:07:51 --> 00:07:55: the patients in depth to invest for the future.

00:07:55 --> 00:07:57: We invest in our team members,

00:07:57 --> 00:08:02: our properties and the communities in which they are located,

00:08:02 --> 00:08:06: and those investments returned big dividends.

00:08:06 --> 00:08:11: Being a privately owned company and an owner operator,

00:08:11 --> 00:08:15: we are also key in many different ways.

00:08:15 --> 00:08:19: We do not have quarterly earnings calls so we do

00:08:20 --> 00:08:25: not manage our business in three month increments.

00:08:25 --> 00:08:28: I still have to answer to my partners and investors

00:08:28 --> 00:08:31: for the portfolio's performance,

00:08:31 --> 00:08:34: but we are never forced to sacrifice a long term

00:08:34 --> 00:08:39: benefit in order to show performance in the short term.

00:08:39 --> 00:08:44: We're not penny wise and pound foolish.

00:08:44 --> 00:08:49: I took the leadership, a southernness CEO and President in

00:08:49 --> 00:08:50: late 2017.

00:08:50 --> 00:08:55: It was an exciting time with enormous opportunities.

00:08:55 --> 00:09:00: The perfect time to rethink operations with thoughtful consideration of

00:09:00 --> 00:09:05: best practices and what would translate to creation of value.

00:09:05 --> 00:09:10: Strategically, I focused upon the performance of our portfolio with

00:09:10 --> 00:09:14: the mindful goal of being prepared to refinance the bulk

00:09:14 --> 00:09:15: of our existing debt.

00:09:15 --> 00:09:18: When the time was right.

00:09:18 --> 00:09:22: We want it to be ready and be at our

00:09:22 --> 00:09:22: best.

00:09:22 --> 00:09:27: I had the opportunity to build a great leadership team

00:09:27 --> 00:09:31: from the inside as well as drawing from the outside

00:09:31 --> 00:09:32: of Southern.

00:09:32 --> 00:09:35: This leadership team is small,

00:09:35 --> 00:09:41: collaborative and purposefully agile. There is not a lot of

00:09:41 --> 00:09:42: bureaucracy,

00:09:42 --> 00:09:44: bureaucracy or red tape at Southern.

00:09:44 --> 00:09:49: The time between a good idea and the implementation is

00:09:49 --> 00:09:50: really short.

00:09:50 --> 00:09:54: Our team members embrace the new model of collaboration with

00:09:54 --> 00:09:55: enthusiasm,

00:09:55 --> 00:09:59: the opportunities an operating results happen,

00:09:59 --> 00:10:04: and continued to be exhilarating for all of us.

00:10:04 --> 00:10:08: At its core, Southernism mission driven business.

00:10:08 --> 00:10:13: Our business philosophy and core values can be summed up

00:10:13 --> 00:10:13: simply.

00:10:13 --> 00:10:15: We believe in several things.

00:10:15 --> 00:10:18: We believe in the three yards.

00:10:18 --> 00:10:21: We do the right things in the right ways for

00:10:21 --> 00:10:23: the right reasons.

00:10:23 --> 00:10:28: We are great citizens of our neighborhoods where our communities

00:10:28 --> 00:10:29: are located,

00:10:29 --> 00:10:33: which means we invest or partner with the local schools,

00:10:33 --> 00:10:38: churches or other religious and social organisations to ensure that

00:10:38 --> 00:10:40: our residents have the best,

00:10:40 --> 00:10:43: cleanest, safest environments to live in,

00:10:43 --> 00:10:48: to live, work and stay that they can afford.

00:10:48 --> 00:10:52: Ours is a value driven philosophy that focuses on creating

00:10:52 --> 00:10:55: affordable sustainable housing.

00:10:55 --> 00:10:58: We believe in creating a shared consciousness.

00:10:58 --> 00:11:02: A common understanding based on multiple perspective,

00:11:02 --> 00:11:08: collaboration and communication. Finally, we believe that the unvarnished truth

00:11:08 --> 00:11:12: is the foundation of all good decisions.

00:11:12 --> 00:11:16: At sudden the unvarnished truth is viewed as a valuable

00:11:16 --> 00:11:21: gift that creates a better tomorrow and we strive to

00:11:21 --> 00:11:25: give it respectfully and receive it well each and every

00:11:25 --> 00:11:26: day.

00:11:29 --> 00:11:30: Leslie

00:11:32 --> 00:11:33: Yep commute.

00:11:40 --> 00:11:42: So Leslie was going to ask me why it was

00:11:42 --> 00:11:44: time to refinance.

00:11:44 --> 00:11:46: I'll just jump right on it again.

00:11:46 --> 00:11:49: The audience needs to bear with us.

00:11:49 --> 00:11:51: I have never done this in this format,

00:11:51 --> 00:11:56: and it's very discombobulating, so I was actually talking to

00:11:56 --> 00:11:56: myself.

00:11:56 --> 00:11:59: So what I said was thank you,

00:11:59 --> 00:12:02: Suzanne, that's really a fantastic story and.

00:12:02 --> 00:12:05: Not something you hear nowadays of the long term.

00:12:05 --> 00:12:08: Privately held company an I will say working with you

00:12:08 --> 00:12:10: that you were doing a tremendous job.

00:12:13 --> 00:12:16: You're welcome, so one of the questions I had for

00:12:16 --> 00:12:20: you is your existing loan portfolio loan was not maturing

00:12:20 --> 00:12:21: for a few years.

00:12:21 --> 00:12:24: And why did you choose this timeframe to refinance?

00:12:27 --> 00:12:32: It was purely strategic when I became CEO of Saturn  
00:12:32 --> 00:12:33: in 2017.  
00:12:33 --> 00:12:36: Yeah, I had a long term pant plans in short  
00:12:37 --> 00:12:37: term plans.  
00:12:37 --> 00:12:42: I was very much aware of the single date of  
00:12:42 --> 00:12:44: maturity of December 2022.  
00:12:44 --> 00:12:49: For the 1.5 billion dollars of loans on part of  
00:12:49 --> 00:12:50: our portfolio.  
00:12:50 --> 00:12:52: It was with that in mind.  
00:12:52 --> 00:12:57: I established southern priorities. The building of the  
leadership team  
00:12:57 --> 00:13:01: was essential and that was followed by the refining of  
00:13:01 --> 00:13:01: our Mission,  
00:13:01 --> 00:13:06: vision and values. We had the time to implement operational  
00:13:06 --> 00:13:11: changes which established the record for the increase in  
performance.  
00:13:11 --> 00:13:16: Metrics. In early 2019, I set the goal to start  
00:13:16 --> 00:13:20: the refinance process that fall.  
00:13:20 --> 00:13:22: The interest rates were low.  
00:13:22 --> 00:13:28: I had concerns about the unease in the political environment.  
00:13:28 --> 00:13:32: My thought was to have a plan in place before  
00:13:32 --> 00:13:35: the November 2020 elections were held.  
00:13:35 --> 00:13:39: And it was also really important to me to have  
00:13:39 --> 00:13:44: the luxury of having enough time to evaluate each and  
00:13:45 --> 00:13:48: every aspect of our transaction.  
00:13:48 --> 00:13:51: That's great, thank you. I I'm not going to talk  
00:13:51 --> 00:13:56: about the technical process that we went through in selecting  
00:13:56 --> 00:14:00: the group that was going to work with Southern management  
00:14:00 --> 00:14:03: long term and one of the things I would say  
00:14:03 --> 00:14:06: is this was really a very fun process.  
00:14:06 --> 00:14:09: I think we all learned a lot and we were  
00:14:09 --> 00:14:14: really impressed with everybody that came in to present.  
00:14:14 --> 00:14:18: To some other management. So obviously this is the majority  
00:14:18 --> 00:14:21: of the portfolio 67 properties and the deal term is  
00:14:21 --> 00:14:22: now.  
00:14:22 --> 00:14:24: It's going to be 15 to 20 years,  
00:14:24 --> 00:14:27: so it is really critical to have the right team  
00:14:27 --> 00:14:30: in place 'cause this was going to be the team  
00:14:30 --> 00:14:33: that's other management had to live with for.  
00:14:33 --> 00:14:35: I'd like to say the rest of our lives,  
00:14:35 --> 00:14:38: but hopefully not.  
00:14:38 --> 00:14:42: Um destruction was critical, but also there were some other

00:14:42 --> 00:14:44: things that were equally important.

00:14:44 --> 00:14:46: Servicing of the portfolio was important,

00:14:46 --> 00:14:50: and one of the things we wanted to understand was.

00:14:50 --> 00:14:52: With the groups coming in,

00:14:52 --> 00:14:54: what was the turnover rate in their company?

00:14:54 --> 00:14:57: You know what were the what's the tenure of the

00:14:57 --> 00:14:59: key individuals in the company,

00:14:59 --> 00:15:02: and what was the leadership and core values of the

00:15:02 --> 00:15:02: company?

00:15:02 --> 00:15:06: Again, trying to match it with Southern management as this

00:15:06 --> 00:15:08: was a long term relationship.

00:15:08 --> 00:15:13: Other things we considered were how people were critically thinking,

00:15:13 --> 00:15:19: creativity, responsiveness, and the ability to listen to what Southern

00:15:19 --> 00:15:20: was asking for.

00:15:23 --> 00:15:27: And for Southern management, the internal team had all different

00:15:27 --> 00:15:28: skill sets.

00:15:28 --> 00:15:30: We had people with finance,

00:15:30 --> 00:15:33: accounting, legal asset management and operations an what this did

00:15:34 --> 00:15:37: is actually made the process really thorough and ensured that

00:15:37 --> 00:15:40: we were really looking at all aspects.

00:15:40 --> 00:15:42: I think sometimes when you're doing a financing,

00:15:42 --> 00:15:45: it's like you look at that role sheet.

00:15:45 --> 00:15:48: You're like, oh, you know the terms are really good.

00:15:48 --> 00:15:50: I'm going to take this deal,

00:15:50 --> 00:15:51: but again, in this case,

00:15:51 --> 00:15:54: because this was such a long term deal,

00:15:54 --> 00:15:58: an included. 67 properties it was really important that we

00:15:58 --> 00:16:03: thought of everything we possibly could think of that could

00:16:03 --> 00:16:05: happen in the next 15 to 20 years.

00:16:05 --> 00:16:08: So the criteria for the lender selection.

00:16:08 --> 00:16:11: What we did was we we wanted to limit it

00:16:11 --> 00:16:12: to five groups.

00:16:12 --> 00:16:16: There were probably more that could have come in,

00:16:16 --> 00:16:20: but we wanted to get done within a reasonable timeframe.

00:16:20 --> 00:16:25: So we basically selected the groups based on existing relationships.

00:16:25 --> 00:16:29: Firms that were beating Fannie and Freddie under writers and

00:16:29 --> 00:16:29: firms.



00:16:29 --> 00:16:33: It also had the ability to show us other types  
00:16:33 --> 00:16:36: of lending outside of agency lending.  
00:16:36 --> 00:16:39: So the goals were to ensure that we had a  
00:16:39 --> 00:16:43: competitive process and since all of the firms were capable  
00:16:43 --> 00:16:44: of doing the transaction,  
00:16:44 --> 00:16:48: we really need to, we really needed to establish a  
00:16:48 --> 00:16:48: logical,  
00:16:48 --> 00:16:52: robust process to ensure that Southern ended up with the  
00:16:52 --> 00:16:56: partners that were best suited for them for the long  
00:16:56 --> 00:16:57: run.  
00:16:57 --> 00:17:00: The first meeting we had was educational and a fact  
00:17:00 --> 00:17:01: gathering mission.  
00:17:01 --> 00:17:04: So each team in advance of them coming in got  
00:17:04 --> 00:17:09: high level property information and then internally we  
00:17:09 --> 00:17:12: prepared a  
00:17:12 --> 00:17:15: list of questions that we were going to ask.  
00:17:15 --> 00:17:18: Each of the firms when they came in.  
00:17:18 --> 00:17:20: So what we are observing at our first meeting was  
00:17:20 --> 00:17:24: really how are people thinking?  
00:17:24 --> 00:17:26: Were they thinking creatively? Were they thinking flexibly?  
00:17:26 --> 00:17:29: And also did they do their homework?  
00:17:29 --> 00:17:31: They had all the information.  
00:17:31 --> 00:17:35: A few things that popped out to us that was  
00:17:35 --> 00:17:38: interesting and this is one of my favorite stories.  
00:17:38 --> 00:17:42: One of the firms actually physically went to all 67  
00:17:42 --> 00:17:45: properties prior to coming in to the meeting.  
00:17:45 --> 00:17:47: That was a that was a huge commitment and also  
00:17:47 --> 00:17:50: was just it was.  
00:17:50 --> 00:17:52: It was just a great way to show people that  
00:17:52 --> 00:17:55: you're interested.  
00:17:55 --> 00:17:57: The and then there were a few teams that actually  
00:17:57 --> 00:18:00: with the underwriting they came in.  
00:18:00 --> 00:18:02: They had already started the underwriting process and were  
00:18:02 --> 00:18:04: sharing  
00:18:04 --> 00:18:08: with us what they thought.  
00:18:08 --> 00:18:12: Some of the solutions would be from the financing,  
00:18:12 --> 00:18:15: so that was really impressive as well.  
00:18:15 --> 00:18:19: After the meeting we internally gathered and we went  
00:18:19 --> 00:18:22: through  
00:18:22 --> 00:18:25: all the questions we put him on grid and we  
00:18:25 --> 00:18:28: went through all the questions and ended up eliminating two  
00:18:28 --> 00:18:31: of the groups based on the results of the grid  
00:18:31 --> 00:18:34: and that was primarily focused on underwriting.

00:18:25 --> 00:18:28: We actually thought this firms would not be as aggressive  
 00:18:28 --> 00:18:29: in underwriting,  
 00:18:29 --> 00:18:34: so we reduced the group down to three teams.  
 00:18:34 --> 00:18:37: Before the next meeting, we came up with a list  
 00:18:37 --> 00:18:40: of about 20 items priorities that we did is each  
 00:18:40 --> 00:18:43: of the team members at Southern Management.  
 00:18:43 --> 00:18:45: There were about seven of us.  
 00:18:45 --> 00:18:48: We all rank the priorities and then we came up  
 00:18:49 --> 00:18:51: with a composite ranking.  
 00:18:51 --> 00:18:53: That took a long time 'cause it really did require  
 00:18:53 --> 00:18:54: a lot of thought,  
 00:18:54 --> 00:18:57: but one of the things that was interesting.  
 00:18:57 --> 00:19:00: With that process is in the beginning.  
 00:19:00 --> 00:19:04: Southern actually was expressing that there was one item  
 00:19:05 --> 00:19:07: that  
 00:19:07 --> 00:19:10: was a high priority for them.  
 00:19:10 --> 00:19:13: But when we went through the composite ranking,  
 00:19:14 --> 00:19:14: that priority actually ended up being at the bottom of  
 00:19:14 --> 00:19:16: the list,  
 00:19:16 --> 00:19:20: so it was pretty exciting.  
 00:19:20 --> 00:19:24: That's kind of nori, but from the consulting standpoint 'cause  
 00:19:24 --> 00:19:28: what we were showing is this methodical process was  
 00:19:28 --> 00:19:30: working  
 00:19:30 --> 00:19:32: and we're really tuning into what was critical in the  
 00:19:32 --> 00:19:36: transaction.  
 00:19:36 --> 00:19:37: So once we have those priorities,  
 00:19:37 --> 00:19:39: we actually shared them with the three groups that were  
 00:19:39 --> 00:19:42: going to come in.  
 00:19:42 --> 00:19:45: We also expressed to them.  
 00:19:45 --> 00:19:47: At that point, we felt that the Fannie Mae credit  
 00:19:47 --> 00:19:50: facility it was feeling like that was going to be  
 00:19:50 --> 00:19:52: a good fit for what we needed.  
 00:19:52 --> 00:19:53: But, and so we told the groups we wanted to  
 00:19:53 --> 00:19:57: dig into that deeper.  
 00:19:57 --> 00:19:58: But we also told him,  
 00:19:58 --> 00:20:02: you know that we definitely still wanted to explore the  
 00:20:02 --> 00:20:04: other options,  
 00:20:04 --> 00:20:08: and particularly I would say the offredi dancing.  
 00:20:08 --> 00:20:11: So the second meeting came around,  
 00:20:11 --> 00:20:14: three groups came in. They were allowed to bring whoever  
 00:20:14 --> 00:20:18: they want it and they all wisely brought in all  
 00:20:18 --> 00:20:22: their top top people and two of the teams actually

00:20:14 --> 00:20:17: brought in their most experienced \*\*\*\*\*

00:20:17 --> 00:20:20: credit facility lenders. And that one of the teams actually

00:20:20 --> 00:20:21: didn't do that.

00:20:21 --> 00:20:25: So that was also something that we paid attention to.

00:20:25 --> 00:20:28: 'cause that was one of the things we expressed.

00:20:28 --> 00:20:29: We want it, you know,

00:20:29 --> 00:20:33: we were probably a little bit more interested in so.

00:20:33 --> 00:20:35: That was just an observation.

00:20:35 --> 00:20:38: The other aspect that we had talked about was the

00:20:38 --> 00:20:39: servicing,

00:20:39 --> 00:20:42: which really was critical 'cause you can imagine with 67

00:20:43 --> 00:20:46: properties in 15 years there is a lot of decisions

00:20:46 --> 00:20:48: that have to be made in a lot of things

00:20:48 --> 00:20:51: that actually have to be approved by the lenders and

00:20:51 --> 00:20:55: the way that the Freddie they securitize their deals said

00:20:55 --> 00:20:58: there is a server Sarana special servicer and when you

00:20:58 --> 00:21:01: have a lot of decisions that need to get made

00:21:01 --> 00:21:05: that can become a little bit of a cumbersome process

00:21:05 --> 00:21:06: and it can be expensive.

00:21:06 --> 00:21:11: Whereas with Fannie, the dust under writers have more

00:21:11 --> 00:21:15: authority

00:21:15 --> 00:21:19: and so the approval process is just it's it's easier,

00:21:19 --> 00:21:22: alot of times and I'm not going to say 'cause.

00:21:22 --> 00:21:27: I don't want Freddy or you know fan if they're

00:21:27 --> 00:21:31: both excellent lenders and and actually what was really

00:21:31 --> 00:21:35: impressive

00:21:35 --> 00:21:37: to us is Freddie knowing this they actually came back

00:21:37 --> 00:21:41: to us and had customized a solution to deal with

00:21:41 --> 00:21:44: that servicing issue.

00:21:44 --> 00:21:48: That we had, that was very impressive.

00:21:48 --> 00:21:51: So we go through the 2nd meetings and then between

00:21:51 --> 00:21:54: the second and third meetings we actually asked everybody

00:21:54 --> 00:21:56: to

00:21:56 --> 00:22:00: provide references and we and we really called them so

00:22:00 --> 00:22:03: if anybody ever asked you for reference,

00:22:03 --> 00:22:05: make sure you get a good one and that was

00:22:05 --> 00:22:08: that was helpful because there were things that we didn't

00:22:08 --> 00:22:12: know 'cause we had not done the Fannie facility before,

00:22:12 --> 00:22:13: so it was good to.

00:22:13 --> 00:22:16: It was educational in that process for us as well.

00:22:16 --> 00:22:19: We also provided a detailed list of servicing questions so

00:22:19 --> 00:22:22: you can see the theme here.

00:22:22 --> 00:22:25: The servicing was very important.

00:22:16 --> 00:22:20: Each meeting we really were talking about that at some point.

00:22:20 --> 00:22:20: So the third meeting came and the remaining questions were asked in.

00:22:20 --> 00:22:25: The final pitches were made from the team and the decision was very difficult because no offense Brendan, but it was difficult. Everybody was impressive and we felt that everybody actually could handle the transaction.

00:22:25 --> 00:22:25: But we ultimately ended up picking Walker and Dunlop Brandon

00:22:25 --> 00:22:29: he's on here.

00:22:29 --> 00:22:33: He's just has more energy than really,

00:22:33 --> 00:22:37: almost anyone. So he did a phenomenal job and was there,

00:22:37 --> 00:22:41: you know, you call on the phone and he's there in a minute.

00:22:41 --> 00:22:46: And um, so anyways, the process took about 2 1/2 months but it was worth it for him at the tenure of this deal,

00:22:46 --> 00:22:47: I think we really needed to do that and we ended up with a phenomenal loan and two great new relationships.

00:22:47 --> 00:22:50: So in conjunction with this process Southern at the same time was selecting the title company that was going to do the business.

00:22:50 --> 00:22:53: Same competitive, same competitive process.

00:22:53 --> 00:22:54: So under the original RFP,

00:22:54 --> 00:22:57: Southern ask the title companies to compete separately, including Charlotte Troop Latent of Chicago title the incumbent and Candace Chason with Fidelity National their sister company.

00:22:57 --> 00:22:58: Although both could have been this separately, they felt they would get the best result if they teamed up together.

00:22:58 --> 00:23:02: So they asked other management if they could do that and they did,

00:23:02 --> 00:23:05: and they came up with an extremely creative solution, awesome structure, and they won the business.

00:23:05 --> 00:23:06: So that's kind of the brief 2 1/2 month history of teeing the deal up.

00:23:06 --> 00:23:10: And I just had a few really simple takeaways.

00:23:10 --> 00:23:14: Listen, ask and think outside of the box.

00:23:14 --> 00:23:15:

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00:23:53 --> 00:23:57:

00:23:57 --> 00:24:01:

00:24:01 --> 00:24:03:

00:24:03 --> 00:24:07:

00:24:07 --> 00:24:11:

00:24:11 --> 00:24:13: So now I'm going to hand it over to Brendan,  
 00:24:13 --> 00:24:17: who's going to talk about the transaction itself.  
 00:24:17 --> 00:24:19: Thank you Leslie, and it's great to see everybody assembled  
 00:24:19 --> 00:24:20: together.  
 00:24:20 --> 00:24:23: We haven't been able to celebrate in person unfortunately,  
 00:24:23 --> 00:24:25: but it's good to be back on a zoom call  
 00:24:25 --> 00:24:26: with everyone.  
 00:24:26 --> 00:24:29: Good Lord, after hearing how extensive that RFP process  
 00:24:29 --> 00:24:32: was,  
 00:24:32 --> 00:24:33: I think I'm even more grateful today that we were  
 00:24:33 --> 00:24:35: selected.  
 00:24:35 --> 00:24:35: Then I was at the time that I could tell  
 00:24:35 --> 00:24:38: you.  
 00:24:38 --> 00:24:39: From my perspective, it felt like we were going through  
 00:24:39 --> 00:24:42: American Idol,  
 00:24:42 --> 00:24:43: apartment lender or something. But it was thorough to say  
 00:24:43 --> 00:24:45: the least.  
 00:24:45 --> 00:24:47: And I was honored to even be invited.  
 00:24:47 --> 00:24:49: We were not one of the existing relationships,  
 00:24:49 --> 00:24:51: so I can say it now.  
 00:24:51 --> 00:24:53: I was surprised that we won going into it.  
 00:24:53 --> 00:24:55: We thought we were long shot,  
 00:24:55 --> 00:24:57: but I think that really helped.  
 00:24:57 --> 00:24:59: The way we went through the process for me,  
 00:24:59 --> 00:25:01: it was an honor just to be in the room  
 00:25:01 --> 00:25:04: growing up in this area.  
 00:25:04 --> 00:25:06: I've always known southern management and unfortunately  
 00:25:06 --> 00:25:08: didn't have the  
 00:25:08 --> 00:25:09: opportunity to work with them,  
 00:25:09 --> 00:25:11: so I think we went in with the idea that  
 00:25:11 --> 00:25:13: if nothing else,  
 00:25:13 --> 00:25:16: we could be a great consultant to you.  
 00:25:16 --> 00:25:19: Give you a lot of information,  
 00:25:19 --> 00:25:20: you know, give you information of what's really possible in  
 00:25:20 --> 00:25:24: the market to get the best execution for whatever firm  
 00:25:24 --> 00:25:26: you ultimately chose.  
 00:25:26 --> 00:25:27: Because you know Suzanne SMC isn't in an elite class,  
 00:25:27 --> 00:25:30: and I think I remember on one of our first  
 00:25:30 --> 00:25:33: meetings.  
 00:25:33 --> 00:25:36: I said you've got a portfolio of such scale that  
 00:25:36 --> 00:25:39: really your portfolio should be driving your debt,  
 00:25:39 --> 00:25:42: not vice versa. An the financing solutions you had been

00:25:36 --> 00:25:39: using in the past were holding back the way you  
 00:25:39 --> 00:25:42: run in the one of the run the portfolio a  
 00:25:42 --> 00:25:45: little bit, and so it was super important for us  
 00:25:45 --> 00:25:48: to come up with something that would allow you to  
 00:25:48 --> 00:25:50: run your business the way you see fit.  
 00:25:50 --> 00:25:54: And the debt was just going to become another asset.  
 00:25:54 --> 00:25:57: The the opportunity was obviously once in a lifetime for  
 00:25:57 --> 00:26:00: somebody that does what we do for a living,  
 00:26:00 --> 00:26:02: and so we knew we needed to approach it like  
 00:26:02 --> 00:26:02: that,  
 00:26:02 --> 00:26:05: and I think that's why you saw when we came  
 00:26:05 --> 00:26:05: in,  
 00:26:05 --> 00:26:07: we brought our Chief Credit Officer.  
 00:26:07 --> 00:26:09: We brought our head of asset management.  
 00:26:09 --> 00:26:11: We bought our chief under writer.  
 00:26:11 --> 00:26:12: We brought Willie Walker in,  
 00:26:12 --> 00:26:14: you know.  
 00:26:14 --> 00:26:17: My team is very experienced over the last five years  
 00:26:17 --> 00:26:18: we've done.  
 00:26:18 --> 00:26:21: I think 7 credit facilities and we've collectively closed over  
 00:26:21 --> 00:26:23: 19 billion dollars worth of loans,  
 00:26:23 --> 00:26:25: but.  
 00:26:25 --> 00:26:28: You knew that we had the technical ability to deliver,  
 00:26:28 --> 00:26:31: but it was important for you to know you were  
 00:26:31 --> 00:26:32: hiring Walker and Dunlop.  
 00:26:32 --> 00:26:34: This was a job that was going to require the  
 00:26:34 --> 00:26:37: strength of our entire platform and we wanted to convey  
 00:26:37 --> 00:26:40: that we were a company that was built for this.  
 00:26:40 --> 00:26:43: We are local family started company based in Bethesda.  
 00:26:43 --> 00:26:44: We are here. We are going to be,  
 00:26:44 --> 00:26:47: you know the relationship that hopefully it does go on  
 00:26:47 --> 00:26:49: for the rest of our lives.  
 00:26:49 --> 00:26:52: Leslie, I didn't like it when you said.  
 00:26:52 --> 00:26:54: You know, if you had another reply in mind,  
 00:26:54 --> 00:26:57: I hope it is the rest of our lives.  
 00:26:57 --> 00:26:58: You know, looking back, I think.  
 00:26:58 --> 00:27:00: Luckily I feel like we really hit it off and  
 00:27:00 --> 00:27:03: I think sometimes when you're going into a transaction like  
 00:27:03 --> 00:27:04: this.  
 00:27:04 --> 00:27:07: It's easy to overlook how important interpersonal  
 00:27:07 --> 00:27:10: relationships are.  
 00:27:07 --> 00:27:10: You know we were spending hundreds of hours together

over

00:27:10 --> 00:27:12: the beginning of this year,

00:27:12 --> 00:27:15: and it's super important. I think that you trust the

00:27:15 --> 00:27:17: people that you're working with and you have a good

00:27:17 --> 00:27:18: repor.

00:27:18 --> 00:27:20: And so I think that was one of the things

00:27:20 --> 00:27:22: that that was apparent from early on.

00:27:22 --> 00:27:25: After meeting with you and going through the rounds that

00:27:25 --> 00:27:27: started in the fall and went through the Holidays and

00:27:28 --> 00:27:28: into early spring,

00:27:28 --> 00:27:31: I think it became clear to us.

00:27:31 --> 00:27:34: That an agency execution was probably going to be the

00:27:34 --> 00:27:37: best solution because it was going to provide the flexibility

00:27:37 --> 00:27:39: that was so imperative and we can talk about some

00:27:39 --> 00:27:41: of that in a second,

00:27:41 --> 00:27:42: but.

00:27:42 --> 00:27:45: Knowing what Suzanne's strategic goals were to be able to

00:27:46 --> 00:27:49: refinance and get out from under this pending balloon

00:27:49 --> 00:27:52: maturity.

00:27:49 --> 00:27:52: It seemed like 2020 was the perfect time.

00:27:52 --> 00:27:55: The regulator had just released 100 billion dollar cap.

00:27:55 --> 00:27:58: There was a focus on mission focused housing and and

00:27:59 --> 00:28:01: Jeff can speak a little bit to that in a

00:28:01 --> 00:28:02: few minutes,

00:28:02 --> 00:28:05: but also the environment for the interest rates was extremely

00:28:06 --> 00:28:09: low and it just seemed why wait until December 22.

00:28:09 --> 00:28:12: Who knows what the markets are going to look like.

00:28:12 --> 00:28:14: Who knows where the rates are an there seem to

00:28:14 --> 00:28:17: be a great time to go now that was end

00:28:17 --> 00:28:18: of January early February,

00:28:18 --> 00:28:21: right before the world. I really changed,

00:28:21 --> 00:28:24: but I think it's important to know we spent a

00:28:24 --> 00:28:27: lot of time with both Fannie and Freddie working on

00:28:27 --> 00:28:30: the best way to structure these deals and we went

00:28:30 --> 00:28:33: in with the CEO of Fannie and Freddie.

00:28:33 --> 00:28:36: I've never worked on a deal where I had meetings

00:28:36 --> 00:28:40: with David Brickman and Debbie Jenkins and Jeff Hayward

00:28:40 --> 00:28:43: and

00:28:40 --> 00:28:43: you freighter in the Borrowers office really taking the time

00:28:43 --> 00:28:47: to listen to it. When I first started working on

00:28:47 --> 00:28:47: this loan,

00:28:47 --> 00:28:51: our President Howard Smith said the only problem with this

00:28:51 --> 00:28:51: deal.

00:28:51 --> 00:28:53: Is there can only be 1 winner?

00:28:53 --> 00:28:56: Right? Because there's so many talented people that competed and

00:28:56 --> 00:28:58: there were so many great solutions.

00:28:58 --> 00:29:01: I was up against a group affordable lenders and Fannie

00:29:01 --> 00:29:02: and Freddie both,

00:29:02 --> 00:29:05: you know, pour their heart and soul into great solutions,

00:29:05 --> 00:29:07: but ultimately at the end of the day we we

00:29:07 --> 00:29:10: went with the Fannie Mae credit facility and you know,

00:29:10 --> 00:29:13: I think what's probably interesting to a lot of people

00:29:13 --> 00:29:15: as call is what is a 2.4 billion dollar loan

00:29:15 --> 00:29:16: even look like right?

00:29:16 --> 00:29:19: Like how do you do that and so.

00:29:19 --> 00:29:22: We have a. A slide here to just give some

00:29:22 --> 00:29:23: highlights.

00:29:23 --> 00:29:26: We could do a 2 hour call on this transaction,

00:29:26 --> 00:29:29: but you know, I'll just try to give some of

00:29:29 --> 00:29:32: the high level features what we actually ended up closing

00:29:32 --> 00:29:35: is a 20 year Fannie Mae credit facility.

00:29:35 --> 00:29:38: And if a Fannie Mae credit facility is a vehicle

00:29:38 --> 00:29:41: with which where we could finance a portfolio where all

00:29:42 --> 00:29:44: of the assets secure all of the debt.

00:29:44 --> 00:29:47: So there are no more individual mortgages.

00:29:47 --> 00:29:51: Tide to individual properties and this provides great flexibility because.

00:29:51 --> 00:29:55: Suzanne can then decide if she wants to release properties

00:29:55 --> 00:29:58: or substitute him or add properties in as they mature

00:29:58 --> 00:30:01: without touching the underlying debt,

00:30:01 --> 00:30:04: and so the term of the facility is 20 years.

00:30:04 --> 00:30:07: But with our closing we did five initial advances which

00:30:07 --> 00:30:09: are numerated here.

00:30:09 --> 00:30:11: There was a seven year advance.

00:30:11 --> 00:30:13: There's a 10 year fixed rate Advance,

00:30:13 --> 00:30:16: 12 year fixed rate, 15 year fixed rate.

00:30:16 --> 00:30:18: There's a 10 year floating rate advance,

00:30:18 --> 00:30:21: which I think is remarkable when you look at it

00:30:21 --> 00:30:22: today.

00:30:22 --> 00:30:23: The pay rate on that.

00:30:23 --> 00:30:26: Particular tranche of debt is 1.73%.

00:30:26 --> 00:30:31: You know the floating rate piece is really important because

00:30:31 --> 00:30:35: that provides a lot of the flexibility to substitute assets

00:30:35 --> 00:30:38: in and out and change the debt levels.



00:30:38 --> 00:30:41: It's remarkable that.

00:30:41 --> 00:30:44: A deal this size that I think we sign the

00:30:44 --> 00:30:46: application on Saturday,

00:30:46 --> 00:30:49: February 22nd. I think that's right.

00:30:49 --> 00:30:52: Susannah was a. It was very big Saturday in my

00:30:52 --> 00:30:55: life and we locked the Treasury and spread on that

00:30:55 --> 00:30:57: deal on February 25th,

00:30:57 --> 00:30:58: which I think is remarkable.

00:30:58 --> 00:31:02: You know that that took a tremendous amount of work

00:31:02 --> 00:31:05: with our partners at Fannie Mae and and Dresser in

00:31:05 --> 00:31:08: the pricing desk and never before have we done a

00:31:08 --> 00:31:11: deal with Fannie where we could lock the index and

00:31:11 --> 00:31:13: the spread that quickly.

00:31:13 --> 00:31:17: Fast forward from February 25th to the middle of March

00:31:17 --> 00:31:18: and the end of March.

00:31:18 --> 00:31:20: It was an unbelievably chaotic.

00:31:20 --> 00:31:24: In the financial markets and what was going on across

00:31:24 --> 00:31:27: the country with covid and shutdowns.

00:31:27 --> 00:31:32: And Fannie honored that that ascential rate lock the Treasury

00:31:32 --> 00:31:36: and spread lock with no financial deposit from the borrower

00:31:37 --> 00:31:37: Ann.

00:31:37 --> 00:31:39: 30 days later, when we were ready as to our

00:31:39 --> 00:31:40: final commitment,

00:31:40 --> 00:31:43: the markets had changed significantly.

00:31:43 --> 00:31:45: Rates were way up, spreads had blown out,

00:31:45 --> 00:31:48: very few investors were even interested in these securities,

00:31:48 --> 00:31:50: and Fannie Mae never wants blank.

00:31:50 --> 00:31:53: Never once decide offered to change the rate,

00:31:53 --> 00:31:56: even though for sure they were upside down on the

00:31:56 --> 00:31:56: market.

00:31:56 --> 00:32:00: And I think that's just a testament to the commitment

00:32:00 --> 00:32:01: everybody had here.

00:32:01 --> 00:32:05: It's remarkable to think we went from the application of

00:32:05 --> 00:32:08: that loan to closing in 60 days and it involved

00:32:08 --> 00:32:09: underwriting.

00:32:09 --> 00:32:14: Actually 69 properties, right? 'cause we left two out.

00:32:14 --> 00:32:18: 23,000 units we had to coordinate 207 separate property

00:32:18 --> 00:32:20: inspections

00:32:18 --> 00:32:20: over the course of a few weeks,

00:32:20 --> 00:32:22: and I can tell you everybody was doing him.

00:32:22 --> 00:32:25: There was appraisers, engineers under writers.

00:32:25 --> 00:32:27: I was walking units with Geoff Hayward,

00:32:27 --> 00:32:29: which is also another. First,

00:32:29 --> 00:32:32: I'm not sure how many property inspections he's doing,

00:32:32 --> 00:32:36: but everybody was rolling up their sleeves because it became

00:32:36 --> 00:32:39: clear time was of the essence on this deal.

00:32:39 --> 00:32:42: Gabriel and Scott and and the legal team at Southern

00:32:42 --> 00:32:46: Management were able to successfully negotiate a master credit facility

00:32:46 --> 00:32:47: agreement,

00:32:47 --> 00:32:48: which is.

00:32:48 --> 00:32:52: A Super comprehensive loan document that replaces a regular loan

00:32:52 --> 00:32:55: agreement that normally would take two to three months for

00:32:55 --> 00:32:57: an experienced borrower,

00:32:57 --> 00:33:00: this being the first Fannie transaction of this kind Southern

00:33:00 --> 00:33:01: ever done.

00:33:01 --> 00:33:04: It's just remarkable to think that with Mike Rafferty and

00:33:04 --> 00:33:07: Tina and Stephanie available and the folks at Southern,

00:33:07 --> 00:33:09: they were able to hammer that out.

00:33:09 --> 00:33:12: We reviewed 149 insurance policies it you know,

00:33:12 --> 00:33:15: it's it's remarkable to think back of all the stuff

00:33:15 --> 00:33:16: we're able to do.

00:33:16 --> 00:33:18: It's almost a footnote here,

00:33:18 --> 00:33:21: but it's something that I think is really interesting to

00:33:21 --> 00:33:21: point out.

00:33:21 --> 00:33:24: It was also the largest single defeasance that was ever

00:33:24 --> 00:33:25: done,

00:33:25 --> 00:33:27: so the Freddie Mac debt on this property had been

00:33:28 --> 00:33:28: securitized,

00:33:28 --> 00:33:31: and without getting too much into defeasance that means it

00:33:32 --> 00:33:33: really couldn't have been paid off.

00:33:33 --> 00:33:36: So to replace the debt we had to go out

00:33:36 --> 00:33:37: and find substitute collateral,

00:33:37 --> 00:33:41: which is essentially Treasuries or other types of securities and

00:33:41 --> 00:33:42: replacement borrowers.

00:33:42 --> 00:33:44: It's a very technical process,

00:33:44 --> 00:33:46: there are not a lot of of.

00:33:46 --> 00:33:50: Intermediaries and brokers that have 1.5 billion dollars worth of

00:33:50 --> 00:33:51: Treasuries and to do it?

00:33:51 --> 00:33:54: In the face of an all time drop in Treasury's,

00:33:54 --> 00:33:57: you know that that was obviously a very stressful part

00:33:57 --> 00:33:57: of it.

00:33:57 --> 00:34:00: Can, particularly since once the rate was locked,  
00:34:00 --> 00:34:03: the defeasance costs were going up exponentially as the  
00:34:03 --> 00:34:04: Treasurys  
00:34:04 --> 00:34:05: dropped,  
00:34:05 --> 00:34:08: but everybody kept their cool.  
00:34:08 --> 00:34:09: Andrew and the team at Chatham pulled off an excellent  
00:34:09 --> 00:34:12: deal,  
00:34:12 --> 00:34:14: but that's just another interesting part of this.  
00:34:14 --> 00:34:15: And then I would be remiss if I didn't say  
00:34:15 --> 00:34:17: the last six weeks.  
00:34:17 --> 00:34:20: Everybody who's working from home.  
00:34:20 --> 00:34:21: Everybody's children were sent home from school.  
00:34:21 --> 00:34:24: Nobody knew what was going on,  
00:34:24 --> 00:34:25: but we just kept our nose to the grindstone and  
00:34:25 --> 00:34:28: were somehow able to pull it off.  
00:34:28 --> 00:34:30: And you brought up the title company.  
00:34:30 --> 00:34:32: They just did a terrific job.  
00:34:32 --> 00:34:36: They were trying to figure out how you close and  
00:34:36 --> 00:34:39: the fees and replace collaterals and amend and restate when  
00:34:39 --> 00:34:41: courthouses across the country in the area were closed.  
00:34:41 --> 00:34:44: We weren't even sure how we could close a deal.  
00:34:44 --> 00:34:46: Let's let's record the the loan documents so it took  
00:34:46 --> 00:34:48: a lot of coordination.  
00:34:48 --> 00:34:50: The deal team slide you went through.  
00:34:50 --> 00:34:52: We could maybe flip to it.  
00:34:52 --> 00:34:54: We're probably leaving, you know,  
00:34:54 --> 00:34:56: another third of the people out of it.  
00:34:56 --> 00:34:59: The slides would have been too long,  
00:34:59 --> 00:35:01: but it just goes to show you how much more  
00:35:01 --> 00:35:04: coordination went in there,  
00:35:04 --> 00:35:04: and I'm just again after hearing that process from your  
00:35:04 --> 00:35:07: side.  
00:35:07 --> 00:35:08: Leslie, I'm extremely grateful we were able to be a  
00:35:08 --> 00:35:11: part of it,  
00:35:11 --> 00:35:13: and I think it was an amazing deal considering that's  
00:35:13 --> 00:35:16: great brand and one of the things I think it's  
00:35:16 --> 00:35:19: interesting that I just want to say in the beginning  
00:35:19 --> 00:35:20: you said you didn't even think you had a chance  
00:35:20 --> 00:35:24: to win the deal and.  
00:35:24 --> 00:35:27: I think actually several of the groups that came in  
00:35:27 --> 00:35:31: felt that same way that this was just a posturing  
to get the best deal from the existing relationships.

00:35:31 --> 00:35:33: So I think that's a lesson learned.

00:35:33 --> 00:35:36: Also that you you all put.

00:35:36 --> 00:35:39: All your energy into this you did not act like

00:35:39 --> 00:35:40: you know.

00:35:40 --> 00:35:42: OK, well I'm just going to make sure you get

00:35:42 --> 00:35:45: a fair deal but I'm not going to win the

00:35:45 --> 00:35:47: business and that was that,

00:35:47 --> 00:35:49: says a lot and I think that's a good lesson

00:35:49 --> 00:35:50: for people.

00:35:50 --> 00:35:51: And I know. I mean,

00:35:51 --> 00:35:55: we're all in business. They don't stuff and sometimes you

00:35:55 --> 00:35:56: win and sometimes we lose.

00:35:56 --> 00:36:00: But that attitude was noticeable in the transaction and it

00:36:00 --> 00:36:02: had an influence on our decision.

00:36:02 --> 00:36:04: I you know that attitude shifted.

00:36:04 --> 00:36:07: I can remember in one of our meetings I said,

00:36:07 --> 00:36:09: well listen. We've never met before.

00:36:09 --> 00:36:12: We've never worked together. I would never ask you to

00:36:12 --> 00:36:14: finance all of your properties with me,

00:36:14 --> 00:36:16: but maybe you and I could show you how we

00:36:16 --> 00:36:18: do it and you were like that's great,

00:36:18 --> 00:36:19: but could you do them all?

00:36:19 --> 00:36:22: And that was the first time I thought you know

00:36:22 --> 00:36:22: what?

00:36:22 --> 00:36:24: Maybe maybe there's a chance here.

00:36:24 --> 00:36:26: We were laughing when you did that because we were

00:36:26 --> 00:36:27: like,

00:36:27 --> 00:36:29: well, he wants to get some part of the business,

00:36:29 --> 00:36:32: even if he doesn't get the whole thing so.

00:36:32 --> 00:36:34: That was great. So, um,

00:36:34 --> 00:36:38: Jeff, if you're ready, why don't we move on to

00:36:38 --> 00:36:40: you and you can?

00:36:40 --> 00:36:42: Give us all a good scoop on \*\*\*\*\*.

00:36:42 --> 00:36:45: So let me start by saying we really were grateful

00:36:45 --> 00:36:48: for just having the opportunity to be part of the

00:36:48 --> 00:36:49: transaction.

00:36:49 --> 00:36:53: This this is an affordable portfolio which is right smack

00:36:53 --> 00:36:56: down the middle of the mission of the company and

00:36:56 --> 00:36:59: so we were interested from day one because it is

00:36:59 --> 00:37:03: that now. This is before I knew how superior the

00:37:03 --> 00:37:07: management team was and what really impressed me is just

00:37:07 --> 00:37:10: how terrific the management team at Southern is.

00:37:10 --> 00:37:13: And we got to discover that as we walk plank  
 00:37:13 --> 00:37:15: by plank property by property an,  
 00:37:15 --> 00:37:18: it was really good to go into it with a  
 00:37:18 --> 00:37:20: partner like Walker and Dunlop,  
 00:37:20 --> 00:37:24: who really understands the terrific product that the credit  
 00:37:24 --> 00:37:24: facility  
 00:37:24 --> 00:37:24: is.  
 00:37:24 --> 00:37:27: The credit facility was built for hours.  
 00:37:27 --> 00:37:31: It's an owner product that has flexibility's untold that really  
 00:37:31 --> 00:37:35: allow you run your business and we thought for Southern  
 00:37:35 --> 00:37:38: that you were brilliant to pick this property for what  
 00:37:38 --> 00:37:42: you needed to do. An one Suzanne talked about his.  
 00:37:42 --> 00:37:44: Her aspirations were for the business,  
 00:37:44 --> 00:37:48: so so one we were grateful for the opportunity when  
 00:37:48 --> 00:37:51: we came over and my boss to see over the  
 00:37:51 --> 00:37:54: company and and I came with friend in to see  
 00:37:54 --> 00:37:57: you and your offices. You are really good at poker  
 00:37:57 --> 00:37:58: face.  
 00:37:58 --> 00:38:00: I mean we had no idea that we were absolutely  
 00:38:00 --> 00:38:01: going to win.  
 00:38:01 --> 00:38:03: We knew we were on the bubble here.  
 00:38:03 --> 00:38:06: You made it clear we were on the bubble,  
 00:38:06 --> 00:38:09: but there's something that was said in that meeting.  
 00:38:09 --> 00:38:12: It really matter to me which was we want what's  
 00:38:12 --> 00:38:13: best for our company,  
 00:38:13 --> 00:38:15: not necessarily the best price.  
 00:38:15 --> 00:38:18: And for me, that really hit home for us as  
 00:38:18 --> 00:38:21: a company and endeared you got us because we have  
 00:38:21 --> 00:38:25: great products we believe we deliver great service.  
 00:38:25 --> 00:38:28: We're not always the best price and we don't want  
 00:38:29 --> 00:38:29: to be.  
 00:38:29 --> 00:38:31: Instead of selling point of,  
 00:38:31 --> 00:38:34: we're really looking for what's best for our company.  
 00:38:34 --> 00:38:36: We know you'll be in the ballpark.  
 00:38:36 --> 00:38:38: We're not going to give away the store,  
 00:38:38 --> 00:38:41: but we're not going to kill you for last basis  
 00:38:41 --> 00:38:42: point that mattered to us,  
 00:38:42 --> 00:38:44: and it was good to see that being part of  
 00:38:44 --> 00:38:47: it in later when we had our choice on the  
 00:38:47 --> 00:38:48: markets are in turmoil.  
 00:38:48 --> 00:38:51: What do we do? We didn't blink for a second.  
 00:38:51 --> 00:38:54: With the Black one, because our job as a secondary

00:38:54 --> 00:38:58: market provider and the chosen secondary market provider is to

00:38:58 --> 00:39:01: be there and provide liquidity when the markets are in

00:39:01 --> 00:39:04: store. That's that's what the dust program is built on.

00:39:04 --> 00:39:06: Were there and we don't retreat.

00:39:06 --> 00:39:10: You never retreat, people. That's just not what we do.

00:39:10 --> 00:39:11: And so a deal's a deal.

00:39:11 --> 00:39:13: And we had a deal and I would be not

00:39:13 --> 00:39:14: telling the truth.

00:39:14 --> 00:39:17: Or if I didn't say they were days in the

00:39:18 --> 00:39:21: process where my knuckles were purple.

00:39:21 --> 00:39:23: But that's that's part of anything that you do.

00:39:23 --> 00:39:26: That's great in life is there's a little turmoil that

00:39:26 --> 00:39:28: goes along with the sweetness,

00:39:28 --> 00:39:29: so it was. It was tough those days,

00:39:29 --> 00:39:31: but we all made it through.

00:39:31 --> 00:39:33: I just can't tell you how to press the lock

00:39:33 --> 00:39:36: and unlock team was terrific to work with.

00:39:36 --> 00:39:38: They always are, and they were in this instance the

00:39:38 --> 00:39:40: southern management team is.

00:39:40 --> 00:39:43: I will. I've met some of the tenants that really

00:39:43 --> 00:39:44: changed things for me.

00:39:44 --> 00:39:47: Because sometimes when you meet tenants,

00:39:47 --> 00:39:51: the landlord really isn't evil in today and and doesn't

00:39:51 --> 00:39:53: really matter to the tenants.

00:39:53 --> 00:39:56: In this case is I met and talked to tenants

00:39:57 --> 00:39:58: which I like doing.

00:39:58 --> 00:40:02: They talked about how great of a landlord you are,

00:40:02 --> 00:40:05: how service matters. People get an answer in 24 hours.

00:40:05 --> 00:40:08: I just thought that that was outstanding.

00:40:08 --> 00:40:11: And so when I had to go into our credit

00:40:11 --> 00:40:15: committee and other places within our company to make this

00:40:15 --> 00:40:15: happen,

00:40:15 --> 00:40:17: it was an easy story to tell.

00:40:17 --> 00:40:21: So I'm thankful that we could have the opportunity to

00:40:21 --> 00:40:21: do this.

00:40:21 --> 00:40:23: I'm glad to be, you know,

00:40:23 --> 00:40:27: married to other companies for another another 15 years or

00:40:27 --> 00:40:28: for 15 years.

00:40:28 --> 00:40:30: And it's great to have a partner like a Walker

00:40:30 --> 00:40:30: Dunlop.

00:40:30 --> 00:40:32: And with that I'll stop.

00:40:32 --> 00:40:34: That's great, thank you Jeff.

00:40:34 --> 00:40:37: That's awesome. So we're going to go into the Q&A

00:40:37 --> 00:40:39: and I in Full disclosure,

00:40:39 --> 00:40:42: I have a question I already wanted to ask so

00:40:42 --> 00:40:45: and this is really for all three of you,

00:40:45 --> 00:40:48: but Suzanne, I'd like you maybe too.

00:40:48 --> 00:40:51: Take it first and the question is,

00:40:51 --> 00:40:54: you know what were the biggest challenges you faced in

00:40:54 --> 00:40:55: the transaction.

00:40:57 --> 00:41:01: But I think the the largest is you don't do

00:41:01 --> 00:41:06: a 1.5 or 2.4 billion dollar transaction every other day.

00:41:06 --> 00:41:10: So there was. We took it very seriously.

00:41:10 --> 00:41:14: We did not want to do exactly what had been

00:41:15 --> 00:41:19: done over and over again 'cause we knew with the

00:41:19 --> 00:41:22: in changing environment.

00:41:22 --> 00:41:26: At our needs changed so we were really looking for

00:41:26 --> 00:41:31: an ability to run our properties the way we know

00:41:31 --> 00:41:36: best without having our hands tied with multiple layers,

00:41:36 --> 00:41:41: which is not a. You know it's the flexibility that's

00:41:41 --> 00:41:46: built in in what the product that Fannie had that

00:41:46 --> 00:41:47: was attractive.

00:41:47 --> 00:41:51: We had to learn, learn a lot about this from

00:41:51 --> 00:41:56: scratch and that we had never done that before.

00:41:56 --> 00:42:00: And I think with the advent of coded that created

00:42:00 --> 00:42:03: so many levels of difficulty.

00:42:03 --> 00:42:08: But the thing that was the most remarkable about all

00:42:08 --> 00:42:09: of this,

00:42:09 --> 00:42:13: and one of the things that was so very important

00:42:14 --> 00:42:14: to us,

00:42:14 --> 00:42:18: given how the the goals of the teamwork,

00:42:18 --> 00:42:24: the intellectual capital that we're building within Southern,

00:42:24 --> 00:42:27: and the dynamic of. Yeah,

00:42:27 --> 00:42:31: dice, creative ideas.

00:42:31 --> 00:42:34: Was really important to the way we do business,

00:42:34 --> 00:42:38: and so the people that we chose and ended up

00:42:38 --> 00:42:40: in a long term relationship with.

00:42:40 --> 00:42:44: We tried to get those that mirrored.

00:42:44 --> 00:42:47: Where we were philosophically.

00:42:49 --> 00:42:55: Any excess phol Brendan and Jeff you want to.

00:42:55 --> 00:42:59: Add anything to that 'cause I think everybody had different

00:42:59 --> 00:43:00: challenges.

00:43:00 --> 00:43:04: So I'd say one of the challenges is certainly closing

00:43:04 --> 00:43:06: the transaction in the middle cover.

00:43:06 --> 00:43:09: And some of the things that you you know documents

00:43:10 --> 00:43:12: that might be signed and delivered electronically.

00:43:12 --> 00:43:14: How do you do that?

00:43:14 --> 00:43:17: Title company availability? I mean there's a whole bunch of

00:43:17 --> 00:43:20: things and just trying to wrap it up and tie

00:43:20 --> 00:43:23: it up that were so different than a pre covid

00:43:23 --> 00:43:26: environment and having to have the flexibility to be able

00:43:26 --> 00:43:29: to handle all those changes for something that was just

00:43:29 --> 00:43:30: so big.

00:43:30 --> 00:43:33: So I'd say that was that that was a challenge

00:43:33 --> 00:43:36: and then it was just the challenge of the capital

00:43:36 --> 00:43:38: markets were in total turmoil.

00:43:38 --> 00:43:40: In making sure that you're handling this,

00:43:40 --> 00:43:43: inhaling it innovation cell matter.

00:43:43 --> 00:43:45: Even though the markets and the Caesar,

00:43:45 --> 00:43:48: although all around you, you're both rock.

00:43:48 --> 00:43:51: And how do you keep the boat in the water?

00:43:51 --> 00:43:54: But we did it. That's great.

00:43:54 --> 00:43:56: Brandon, you have anything to add to that?

00:43:56 --> 00:43:59: Obviously the external forces were the biggest challenge.

00:43:59 --> 00:44:01: I think the team that was together was rock solid

00:44:01 --> 00:44:03: and if it was any other group other than Southern,

00:44:03 --> 00:44:05: I don't know. We would have pulled it off.

00:44:05 --> 00:44:08: Their team was so responsive.

00:44:08 --> 00:44:10: If we didn't do those 270 property inspections the day

00:44:10 --> 00:44:11: we did him,

00:44:11 --> 00:44:13: we wouldn't have been allowed on site anymore,

00:44:13 --> 00:44:17: right? 'cause of covid? There were some interesting things like

00:44:17 --> 00:44:19: how do we get surveys when nobody is allowed out

00:44:19 --> 00:44:22: of their house and you know Gabriel is ordering drones

00:44:22 --> 00:44:25: to fly over their properties and making surveys out of

00:44:25 --> 00:44:25: cameras.

00:44:25 --> 00:44:27: I think that was kind of neat and then you

00:44:27 --> 00:44:31: know the Defeasance philosophical conversations as it

00:44:31 --> 00:44:33: looked like Treasuries

00:44:33 --> 00:44:36: were about to go negative.

00:44:33 --> 00:44:36: And how do you defeat something with a negative security

00:44:36 --> 00:44:38: was going to be an interesting academic case.

00:44:38 --> 00:44:39: Luckily we didn't get there,

00:44:39 --> 00:44:41: but.



00:44:41 --> 00:44:43: That's a good point though,  
00:44:43 --> 00:44:46: because that is something that's never happened.  
00:44:46 --> 00:44:48: I guess 'cause it's never happened either.  
00:44:48 --> 00:44:51: So there was a lot of things that have never  
00:44:51 --> 00:44:52: happened before,  
00:44:52 --> 00:44:54: right? I mean, we've had down terms,  
00:44:54 --> 00:44:56: so some of that we know how to deal with.  
00:44:56 --> 00:44:59: We have times when interest rates move,  
00:44:59 --> 00:45:02: but having covid where you can't physically go into a  
00:45:02 --> 00:45:05: property without an enormous amount of coordination,  
00:45:05 --> 00:45:06: or maybe not at all,  
00:45:06 --> 00:45:08: an interest rates going to zero.  
00:45:08 --> 00:45:10: Those are two things no one's had.  
00:45:10 --> 00:45:13: Any experience in so and what became apparent?  
00:45:13 --> 00:45:15: And I think this is a testament to Fannie too,  
00:45:15 --> 00:45:18: is we needed to get out of the way Southern  
00:45:18 --> 00:45:20: needed to get back to running their business.  
00:45:20 --> 00:45:23: Everybody was stuck at home and they are home and  
00:45:23 --> 00:45:26: they couldn't spend any more time focused on this.  
00:45:26 --> 00:45:29: We needed to close the deal because it was imperative  
00:45:29 --> 00:45:32: they got back to running their communities.  
00:45:32 --> 00:45:34: And I.  
00:45:34 --> 00:45:38: Thing I have to say about Southern when the world  
00:45:38 --> 00:45:42: shut down and said everyone home Southern home we did  
00:45:42 --> 00:45:43: not shut down.  
00:45:43 --> 00:45:47: We had to figure out how to continue operating on  
00:45:47 --> 00:45:52: our properties while keeping our team members and I rested  
00:45:52 --> 00:45:52: and safe.  
00:45:52 --> 00:45:56: That was very challenging. Yet the team was up to  
00:45:56 --> 00:45:58: it to handle that.  
00:45:58 --> 00:46:00: And one of the most.  
00:46:00 --> 00:46:02: Well, Mark about things that happen,  
00:46:02 --> 00:46:06: and I think it's the same thing through every piece  
00:46:06 --> 00:46:10: of this transaction with the amount of teamwork,  
00:46:10 --> 00:46:14: personal involvement, getting to know one another,  
00:46:14 --> 00:46:17: I go back to a cold day in January.  
00:46:17 --> 00:46:20: Jeff Hayward, Brendan Coleman and his team.  
00:46:20 --> 00:46:24: They were out walking every single corner of all these  
00:46:24 --> 00:46:26: downtown Baltimore properties.  
00:46:26 --> 00:46:32: They got to know our our property managers are residents.  
00:46:32 --> 00:46:35: You know they put in the time.  
00:46:35 --> 00:46:40: You don't always see that head of an EVP or

00:46:40 --> 00:46:43: the head of a transaction.

00:46:43 --> 00:46:48: Knowing and spending and investing their time in that way

00:46:48 --> 00:46:50: and that meant the world again.

00:46:50 --> 00:46:55: Our operating expenses are sometimes a little bit heavier.

00:46:55 --> 00:46:57: We believe it's the right path,

00:46:57 --> 00:47:01: but they got to understand the why behind it,

00:47:01 --> 00:47:05: which was really critical to us and it was remarkable.

00:47:05 --> 00:47:08: It even goes to the title companies and how they

00:47:09 --> 00:47:13: thought outside of the box for them to collaborate come

00:47:13 --> 00:47:14: together.

00:47:14 --> 00:47:19: And work that deal. Was unbelievable.

00:47:19 --> 00:47:21: But there's some questions in the Q&A.

00:47:21 --> 00:47:25: First one, what were the biggest challenges to building this

00:47:26 --> 00:47:30: complicated structure with multiple tranches of terms and

00:47:30 --> 00:47:32: rates?

00:47:30 --> 00:47:32: So I think Suzanne and Brendan,

00:47:32 --> 00:47:35: or probably you 2 can answer that.

00:47:35 --> 00:47:38: I'll just jump in real quick and then handed to

00:47:38 --> 00:47:39: Brendan.

00:47:39 --> 00:47:43: It was the intellectual capital and it's that dynamic up.

00:47:43 --> 00:47:45: Like, really working at an Brendan.

00:47:45 --> 00:47:49: You're positively awesome.

00:47:49 --> 00:47:52: Sounds good enough it on that screen if we keep

00:47:52 --> 00:47:54: on talking to him like that.

00:47:54 --> 00:47:55: He earned it.

00:47:58 --> 00:48:02: No, I think the biggest challenge was really just deciding.

00:48:02 --> 00:48:04: How would they like to stagger the maturities?

00:48:04 --> 00:48:06: Were there any assets that they had?

00:48:06 --> 00:48:09: Plans there reposition? Was their goal to have weight more

00:48:09 --> 00:48:11: towards fixed versus floating?

00:48:11 --> 00:48:14: You know, understand what the strategy was for the portfolio

00:48:14 --> 00:48:17: and then make sure that we could stagger maturities enough

00:48:17 --> 00:48:20: that you know the overarching goal was we don't ever

00:48:20 --> 00:48:23: want to have this bullet balloon payment hanging over our

00:48:23 --> 00:48:24: head again,

00:48:24 --> 00:48:26: because that's no way to run your property,

00:48:26 --> 00:48:28: so finding the right balance of you know long,

00:48:28 --> 00:48:32: long term fixed rate debt but still staggering the maturities

00:48:32 --> 00:48:33: where it doesn't ever.

00:48:33 --> 00:48:35: Become, you know, a catastrophe.

00:48:35 --> 00:48:38: If it all comes due at the wrong time.

00:48:38 --> 00:48:41: Yeah, and this serious answer to that was I did

00:48:41 --> 00:48:45: have some assets that are under duress because of where  
00:48:45 --> 00:48:46: they are located.

00:48:46 --> 00:48:49: I wanted the flexibility in the time to be able  
00:48:49 --> 00:48:52: to sort through to get to the to the right  
00:48:52 --> 00:48:54: and the best solution.

00:48:54 --> 00:48:57: We're working several angles. We may have some.  
00:48:57 --> 00:49:01: We have some that are prime for redevelopment and that  
00:49:01 --> 00:49:04: gives us the opportunity to continue to grow.

00:49:04 --> 00:49:08: In an appropriate manner with a lot of different strategies  
00:49:08 --> 00:49:12: so we can move the assets depending upon what was  
00:49:12 --> 00:49:14: tied up for the current environment.

00:49:14 --> 00:49:17: So that was really important.

00:49:17 --> 00:49:19: Yeah, I'm going to jump in here,  
00:49:19 --> 00:49:23: 'cause I think that was when we talk about challenges.

00:49:23 --> 00:49:24: That was the to me.

00:49:24 --> 00:49:28: The biggest long-term challenge 'cause a lot of this stuff  
00:49:28 --> 00:49:30: was short term.

00:49:30 --> 00:49:31: To get the deal closed.

00:49:31 --> 00:49:34: But to Suzanne's, you know to your point you have  
00:49:35 --> 00:49:38: assets that you might want to reposition and so you  
00:49:38 --> 00:49:40: might want to develop.

00:49:40 --> 00:49:42: And how do you? How do you bucket that so  
00:49:43 --> 00:49:44: you're not locked in?

00:49:44 --> 00:49:48: Or paying an enormous prepayment penalty so that was?  
00:49:48 --> 00:49:51: That, to me, was one of the longer term challenges  
00:49:51 --> 00:49:54: and it's scary 'cause you're locking up.

00:49:54 --> 00:49:57: You're locking up your deal for a long time,  
00:49:57 --> 00:50:00: and everything is actually we didn't mention this,  
00:50:00 --> 00:50:03: but all the deals are cross collateralized and so it's  
00:50:03 --> 00:50:07: just it's it is extremely complicated and you know you  
00:50:07 --> 00:50:09: don't know what's going to happen in 10 or 15  
00:50:09 --> 00:50:11: years that you know there's no.

00:50:11 --> 00:50:13: You can have a strategic plan,  
00:50:13 --> 00:50:16: but typically, even if it is for 10 years,  
00:50:16 --> 00:50:19: it's not going to look like that at the end  
00:50:19 --> 00:50:20: of 10 years,

00:50:20 --> 00:50:22: so. I think that was that to me was kind  
00:50:22 --> 00:50:25: of one of the hardest things to deal with,  
00:50:25 --> 00:50:27: so that was. That was an excellent question.

00:50:27 --> 00:50:29: Now I will. I will say this like quickly.

00:50:29 --> 00:50:32: One of the things that we look forward to with  
00:50:32 --> 00:50:35: confidence was we knew that that was a challenge you

00:50:35 --> 00:50:38: had and our credit facility product was actually built for  
00:50:38 --> 00:50:41: that challenge. It is the ultimate you teach other  
00:50:41 --> 00:50:43: property down while another ones up.  
00:50:43 --> 00:50:46: You can develop. You can do all these things so  
00:50:46 --> 00:50:47: you didn't.  
00:50:47 --> 00:50:49: You were poker face when we came to see you  
00:50:49 --> 00:50:51: so we didn't think we'd ever get.  
00:50:51 --> 00:50:54: Yeah, absolutely, but we knew if it got down  
00:50:54 --> 00:50:58: to it that that our product really was for ownership.  
00:50:58 --> 00:51:02: A really good deal for ownership for long term ownership.  
00:51:02 --> 00:51:05: Let's see that a bunch of questions coming in so  
00:51:05 --> 00:51:07: we would go up to four,  
00:51:07 --> 00:51:09: right? Let's go rapid fire sabi.  
00:51:09 --> 00:51:11: Yeah if we can go up to 4:10 I just  
00:51:11 --> 00:51:14: wanted to let everybody on the call so we have  
00:51:14 --> 00:51:16: 10 minutes the weather,  
00:51:16 --> 00:51:21: any local jurisdiction issues, regulatory rent control etc to  
deal  
00:51:22 --> 00:51:22: with.  
00:51:22 --> 00:51:26: Yes, you name it. We got it.  
00:51:26 --> 00:51:30: That's what we do for a living I there's there's  
00:51:30 --> 00:51:34: we had a rent control property in this refinancing.  
00:51:34 --> 00:51:37: It's was not difficult to deal with.  
00:51:39 --> 00:51:42: I'm working with the political all the time,  
00:51:42 --> 00:51:45: 'cause truly I think we follow the three hours we  
00:51:45 --> 00:51:46: do things here.  
00:51:46 --> 00:51:49: We don't need the legislation to tell us what to  
00:51:49 --> 00:51:50: do truthfully.  
00:51:50 --> 00:51:52: Your affordable housing is affordable.  
00:51:52 --> 00:51:56: Market affordable housing. It's not just the one property in  
00:51:56 --> 00:51:56: there,  
00:51:56 --> 00:51:59: so right, and it's the quality and we maintain it  
00:51:59 --> 00:52:02: and we have were well known for what we do.  
00:52:02 --> 00:52:04: So we walk the line at anyone asked him,  
00:52:04 --> 00:52:06: come on in, learn about it.  
00:52:08 --> 00:52:12: Next question site. It was mentioned that two properties but  
00:52:12 --> 00:52:14: not included in the transaction as a whole.  
00:52:14 --> 00:52:18: Is there a reason for that and could these properties  
00:52:18 --> 00:52:20: be added on at a later time?  
00:52:20 --> 00:52:24: They could we we could take him out so we  
00:52:24 --> 00:52:24: did.  
00:52:24 --> 00:52:27: So we obtained a larger refinancing.

00:52:27 --> 00:52:31: We did not meet them in the this particular transaction,  
00:52:31 --> 00:52:35: but we can add 'em in when we're ready if  
00:52:35 --> 00:52:36: we so choose.  
00:52:36 --> 00:52:39: That's the beauty of the this type of financing.  
00:52:39 --> 00:52:43: Yeah, I think there's there's properties needed some  
flexibility.  
00:52:43 --> 00:52:47: And to Suzanne's point, the financing dollar amount that she  
00:52:47 --> 00:52:48: was aiming for.  
00:52:48 --> 00:52:49: She was able to get still,  
00:52:49 --> 00:52:51: we're taking these out, and yes,  
00:52:51 --> 00:52:52: that was that was good,  
00:52:52 --> 00:52:55: which I think was one of the original goals,  
00:52:55 --> 00:52:58: right? We wanted to get the optimal level of loan  
00:52:58 --> 00:53:01: dollars with the minimum collateral needed.  
00:53:01 --> 00:53:04: And so I think unencumbered assets is always better than  
00:53:04 --> 00:53:05: anything else.  
00:53:05 --> 00:53:08: So when it became clear we didn't need them all.  
00:53:08 --> 00:53:11: It provided some more flexibility.  
00:53:11 --> 00:53:13: What? What are some of the finance?  
00:53:13 --> 00:53:16: What are some of the financing tools you did not  
00:53:16 --> 00:53:17: select and why?  
00:53:20 --> 00:53:22: What does that mean?  
00:53:22 --> 00:53:24: Thanks.  
00:53:24 --> 00:53:27: I guess you were only going for agency and you  
00:53:27 --> 00:53:32: was there something else that you were looking at that  
00:53:32 --> 00:53:33: you Brandon?  
00:53:33 --> 00:53:37: Maybe you could? You know I think.  
00:53:37 --> 00:53:39: So outside of the agencies right?  
00:53:39 --> 00:53:41: We obviously spent a lot of time looking at the  
00:53:41 --> 00:53:42: agencies,  
00:53:42 --> 00:53:45: other sources of capital. Our life insurance companies,  
00:53:45 --> 00:53:47: debt funds. See MBS securitized lenders,  
00:53:47 --> 00:53:50: commercial banks. I think one of the quick answers is  
00:53:50 --> 00:53:52: the size of the transaction.  
00:53:52 --> 00:53:54: Eliminate it. A lot of the potential lenders we could  
00:53:55 --> 00:53:59: have syndicated life insurance companies together and made  
conglomerates,  
00:53:59 --> 00:54:01: but one of the goals was.  
00:54:01 --> 00:54:03: Servicing ease of execution one contact,  
00:54:03 --> 00:54:07: one long-term relationship. There's very few lenders that  
could just  
00:54:07 --> 00:54:10: put out 2.4 billion dollars like this in a in  
00:54:10 --> 00:54:14: a facility that allowed the flexibility to bring collateral in

00:54:14 --> 00:54:17: and out to borrow up the loan amounts to have  
 00:54:17 --> 00:54:19: no individual loan mortgages,  
 00:54:19 --> 00:54:22: tide to properties, and so when when we knew what  
 00:54:22 --> 00:54:23: the goals were,  
 00:54:23 --> 00:54:27: the spectrum of lending options that could actually fulfill those  
 00:54:27 --> 00:54:28: goals got very small.  
 00:54:28 --> 00:54:32: I can remember calling some of the New York banks  
 00:54:32 --> 00:54:33: and saying.  
 00:54:33 --> 00:54:35: This is what they want and they were like haha  
 00:54:35 --> 00:54:37: well that doesn't exist.  
 00:54:37 --> 00:54:38: I was like no, no,  
 00:54:38 --> 00:54:39: they do seem pretty happy.  
 00:54:39 --> 00:54:41: Options like that. Can you do it?  
 00:54:41 --> 00:54:44: And they were like no they should take that and  
 00:54:44 --> 00:54:47: so I think it was the optionality really that limited  
 00:54:47 --> 00:54:49: the landscape one.  
 00:54:49 --> 00:54:50: Also I would say Brendan,  
 00:54:50 --> 00:54:53: probably there was not another better deal on the table.  
 00:54:53 --> 00:54:55: This was a low leverage,  
 00:54:55 --> 00:54:58: high coverage deal and so the pricing was very competitive.  
 00:54:58 --> 00:55:02: You know this guarantee structure was competitive so  
 usually it's  
 00:55:02 --> 00:55:05: like they'd be offering something.  
 00:55:05 --> 00:55:08: Better, but I think there really there wasn't a better  
 00:55:09 --> 00:55:13: structure or pricing or guarantee structure that was around,  
 00:55:13 --> 00:55:17: so there was really no competition in that perspective.  
 00:55:17 --> 00:55:21: I think it boiled down to between Fannie and Freddie  
 00:55:21 --> 00:55:22: is really.  
 00:55:22 --> 00:55:26: Truly did one of the critical things was the servicing,  
 00:55:26 --> 00:55:30: because living with the servicing I can tell you there's  
 00:55:30 --> 00:55:33: a few weeks after we closed that transaction.  
 00:55:33 --> 00:55:36: We had a commercial lease we needed.  
 00:55:36 --> 00:55:40: I got a call from Gabriel Duvall saying she had  
 00:55:40 --> 00:55:44: sent it over to a Walker Brendons team.  
 00:55:44 --> 00:55:48: She got a response back in 20 minutes.  
 00:55:48 --> 00:55:50: I heard up absolutely unheard of.  
 00:55:50 --> 00:55:53: The other thing that I just.  
 00:55:53 --> 00:55:57: I think it's so remarkable having lived.  
 00:55:57 --> 00:56:01: I think I can say this in the commercial real  
 00:56:01 --> 00:56:02: estate world,  
 00:56:02 --> 00:56:07: the number of people everyone promises you everything  
 coming into

00:56:07 --> 00:56:08: a deal,  
 00:56:08 --> 00:56:11: the number of people who were willing to stretch.  
 00:56:11 --> 00:56:16: Think outside the box and then the way that team  
 00:56:16 --> 00:56:17: delivered.  
 00:56:17 --> 00:56:23: I have never personally seen anything that consistently  
 played through.  
 00:56:23 --> 00:56:27: I mean, Brendan talked about that one Saturday in February.  
 00:56:27 --> 00:56:31: I called him up just to talk about something.  
 00:56:31 --> 00:56:35: I'm in the office. He offered to come over.  
 00:56:35 --> 00:56:37: He was there in 15 minutes.  
 00:56:37 --> 00:56:40: He walked up six flights of stairs in the lock  
 00:56:40 --> 00:56:41: building.  
 00:56:41 --> 00:56:45: We sat down and basically hand shook on a deal.  
 00:56:45 --> 00:56:48: And that was before everything went crazy.  
 00:56:48 --> 00:56:52: We got a couple of counter offers we thought you  
 00:56:52 --> 00:56:53: know,  
 00:56:53 --> 00:56:56: but I kept my word 'cause I get it.  
 00:56:56 --> 00:56:59: He kept his word 'cause he gathered \*\*\*\*\*.  
 00:56:59 --> 00:57:03: I I was nervous. You'd be crazy not to say  
 00:57:03 --> 00:57:05: that they were remarkable.  
 00:57:05 --> 00:57:08: They were truly remarkable. Every element,  
 00:57:08 --> 00:57:13: just it really came down to about relationship looking each  
 00:57:13 --> 00:57:16: other in the eye and doing what we said.  
 00:57:16 --> 00:57:19: We're going to do.  
 00:57:19 --> 00:57:23: I guess this answers the next question why only one  
 00:57:23 --> 00:57:25: lender for the entire thing?  
 00:57:25 --> 00:57:28: I think we answered that.  
 00:57:28 --> 00:57:30: Not about not. We actually thought about.  
 00:57:30 --> 00:57:36: We considered splitting it. And we decided not to.  
 00:57:36 --> 00:57:38: Can you give us an idea of the title companies  
 00:57:38 --> 00:57:39: out of the box?  
 00:57:39 --> 00:57:43: Thinking matters of such a benefit to all?  
 00:57:43 --> 00:57:47: Oh my goodness on this size transaction to have Chicago  
 00:57:47 --> 00:57:48: title Fidelity Pool.  
 00:57:48 --> 00:57:53: They're both top performers in their field and would rather  
 00:57:53 --> 00:57:57: than one trying to get set him up to competitive  
 00:57:57 --> 00:57:59: bid because of the size of the deal.  
 00:57:59 --> 00:58:03: I think it's incredible to think outside the box and  
 00:58:03 --> 00:58:05: they didn't just divide it.  
 00:58:05 --> 00:58:08: 5050, they actually supported one another.  
 00:58:08 --> 00:58:11: You know if this was really complicated in the environment  
 00:58:12 --> 00:58:15: we were in on one of the surveys or engineering

00:58:15 --> 00:58:15: companies,

00:58:15 --> 00:58:19: the crew actually got stopped by the Maryland State Police

00:58:19 --> 00:58:23: 'cause they're coming out in New Jersey and they were

00:58:23 --> 00:58:26: going to quarantine 'em and the man who owned the

00:58:26 --> 00:58:30: company went to the Maryland State Police to get a

00:58:30 --> 00:58:31: special exception.

00:58:31 --> 00:58:35: With a lot of restrictions to let them do their

00:58:35 --> 00:58:37: jobs and we could close.

00:58:37 --> 00:58:40: It was a lot of creative things of title company

00:58:40 --> 00:58:42: did and I wouldn't do him justice if I try

00:58:42 --> 00:58:43: to enumerate him.

00:58:43 --> 00:58:46: But one quick example is we were closing at 2.4

00:58:46 --> 00:58:47: billion dollar facility.

00:58:47 --> 00:58:49: That needed to be sold 30 days later and we

00:58:49 --> 00:58:51: didn't know if it could be recorded.

00:58:51 --> 00:58:53: The court houses were not open,

00:58:53 --> 00:58:56: none of them were accepting documents and Chicago and Fidelity

00:58:56 --> 00:59:00: put together an indemnification where they said we will cover

00:59:00 --> 00:59:00: you.

00:59:00 --> 00:59:03: We will provide coverage even if you can't get these

00:59:03 --> 00:59:06: documents recorded an you know that was critical to being

00:59:06 --> 00:59:07: able close and it was.

00:59:07 --> 00:59:10: Not something that we've ever had to even ask before,

00:59:10 --> 00:59:12: but as the environment changed rapidly,

00:59:12 --> 00:59:16: that was that was terrific and crucial for us to

00:59:16 --> 00:59:17: be successful.

00:59:17 --> 00:59:20: So this is not really related to the transaction,

00:59:20 --> 00:59:25: but did you explore taking the company public so then?

00:59:25 --> 00:59:27: Surprise, someone sees anyone seen by your company.

00:59:29 --> 00:59:35: I think in talking earlier in our type of business.

00:59:35 --> 00:59:39: It is really important. We do a lot of investment

00:59:39 --> 00:59:40: in our properties,

00:59:40 --> 00:59:45: our teams, our communities. We do things that others might

00:59:45 --> 00:59:49: not think of doing if we had to perform on

00:59:49 --> 00:59:50: a quarterly basis.

00:59:50 --> 00:59:53: That would limit our ability,

00:59:53 --> 00:59:56: so we have a very long term view of investment.

00:59:56 --> 00:59:59: We know things take time.

00:59:59 --> 01:00:02: Truthfully, many years ago, perhaps 10,

01:00:02 --> 01:00:04: we did take a look at it.

01:00:04 --> 01:00:07: A lot of family companies do consider that,



01:00:07 --> 01:00:11: but that was something that really did not suit our  
01:00:11 --> 01:00:12: business model,  
01:00:12 --> 01:00:16: so we chose not to do that.  
01:00:16 --> 01:00:19: What was the desired debt service coverage ratio for the  
01:00:19 --> 01:00:20: transaction?  
01:00:22 --> 01:00:24: Nothing. I guess Jeff, that's your,  
01:00:24 --> 01:00:26: that's your question or Brendan's?  
01:00:26 --> 01:00:29: Well, so I think you know it's a.  
01:00:29 --> 01:00:32: It's a Tier 423 facility I think anything.  
01:00:32 --> 01:00:35: Oh we were hoping 150 anything North of that was  
01:00:35 --> 01:00:38: crazy and so it was we would never have a  
01:00:38 --> 01:00:40: desired debt service coverage.  
01:00:40 --> 01:00:44: So really it doesn't meet the requirement for the finance  
01:00:44 --> 01:00:45: and we're doing.  
01:00:45 --> 01:00:47: And it absolutely blew that away.  
01:00:50 --> 01:00:56: Yes, Leslie, I don't know if you wanted to.  
01:00:56 --> 01:00:58: However, I think we covered everything else.  
01:00:58 --> 01:01:01: I know there was something Suzanne wanted to say and  
01:01:01 --> 01:01:02: I think she is said them.  
01:01:02 --> 01:01:05: I don't know if any of you Brendan or Jennifer  
01:01:05 --> 01:01:05: Suzanne have,  
01:01:05 --> 01:01:07: or are we done with the question?  
01:01:07 --> 01:01:09: Is there a couple of more questions,  
01:01:09 --> 01:01:10: OK?  
01:01:10 --> 01:01:13: If they need to be involved is so.  
01:01:13 --> 01:01:16: If so, how did that go during code?  
01:01:16 --> 01:01:20: So. Yeah, I HFA actually did not happen.  
01:01:20 --> 01:01:23: It was completely something on their authority.  
01:01:23 --> 01:01:25: They did. This didn't have to go to the top  
01:01:25 --> 01:01:28: of the House and all the risk committees within the  
01:01:28 --> 01:01:30: company got a chance to review.  
01:01:30 --> 01:01:32: Luckily for me the first meeting,  
01:01:32 --> 01:01:35: our CEO and my boss came and met Suzanne.  
01:01:35 --> 01:01:38: It's important if you're going to bring something this size  
01:01:38 --> 01:01:42: where we're going to issue securities with our guarantee that  
01:01:42 --> 01:01:44: are going to last for 15 years,  
01:01:44 --> 01:01:46: it's important that everybody know each other.  
01:01:46 --> 01:01:49: But you know what the capabilities are and so.  
01:01:49 --> 01:01:51: It was great that our CEO,  
01:01:51 --> 01:01:55: who highly enough used to work at one of Brendan's  
01:01:55 --> 01:01:56: competitors.  
01:01:56 --> 01:01:57: Got a chance to come.

01:01:57 --> 01:01:59: And so as we talk to our board or we  
 01:01:59 --> 01:02:01: talked to management,  
 01:02:01 --> 01:02:03: everybody knew kind of what we were doing and one  
 01:02:03 --> 01:02:06: of the reasons why I wanted to get out and  
 01:02:06 --> 01:02:08: see the properties myself is I-1.  
 01:02:08 --> 01:02:10: I love doing it but in addition to that I  
 01:02:10 --> 01:02:13: want it with confidence to say I kick the tires  
 01:02:13 --> 01:02:13: on this.  
 01:02:13 --> 01:02:16: We know what we got.  
 01:02:16 --> 01:02:19: And actually, that was part of the due diligence to  
 01:02:19 --> 01:02:23: we really drill down on credit approval who was actually  
 01:02:23 --> 01:02:26: approving the credit since it was such a big deal  
 01:02:26 --> 01:02:29: we didn't want to end up is we're down the  
 01:02:29 --> 01:02:32: road and we're not dealing with the right people.  
 01:02:32 --> 01:02:34: We don't understand the process,  
 01:02:34 --> 01:02:36: so that was in the beginning.  
 01:02:36 --> 01:02:39: That was one of the things I think we repeated  
 01:02:39 --> 01:02:42: at each meeting just to really be sure we understood  
 01:02:42 --> 01:02:46: where the final final say was on the credit approval.  
 01:02:46 --> 01:02:48: One question and wrap it up.  
 01:02:48 --> 01:02:51: Sorry Jeff, were you going to say something to say,  
 01:02:51 --> 01:02:53: our Chief it Officer Charles?  
 01:02:53 --> 01:02:57: After who's actually at the initial meeting as well?  
 01:02:57 --> 01:02:59: All over this like a cheap suit.  
 01:02:59 --> 01:03:02: Charles, Chris and all everybody else chip that worked on  
 01:03:02 --> 01:03:02: it.  
 01:03:02 --> 01:03:05: They were all over this.  
 01:03:05 --> 01:03:08: What one last question and did sudden have outside Barrel  
 01:03:08 --> 01:03:09: Council?  
 01:03:09 --> 01:03:11: Or was everything handled in house?  
 01:03:13 --> 01:03:16: It was handled in-house and I can remember when they  
 01:03:16 --> 01:03:18: said we're not going to hire outside counsel and I  
 01:03:18 --> 01:03:19: was like,  
 01:03:19 --> 01:03:19: oh boy.  
 01:03:21 --> 01:03:24: Gabriel and Scott and Katie did the work of an  
 01:03:24 --> 01:03:24: entire law firm.  
 01:03:24 --> 01:03:28: It was unbelievable the way they were able to negotiate  
 01:03:28 --> 01:03:31: the loan documents and everything else that goes along with  
 01:03:32 --> 01:03:32: it.  
 01:03:32 --> 01:03:37: It was remarkable. I like to think I've done,  
 01:03:37 --> 01:03:43: made some smart decisions, whether smartest was stealing  
 Gabriel Duvall

01:03:43 --> 01:03:45: from Linowes and Blocher.  
01:03:45 --> 01:03:48: We had worked with her for a number of years.  
01:03:48 --> 01:03:52: She was a young partner there and we made her  
01:03:52 --> 01:03:55: an offer she could not refuse because.  
01:03:55 --> 01:04:00: That passion and intellectual firepower was worth its weight  
in  
01:04:00 --> 01:04:01: gold.  
01:04:01 --> 01:04:05: So she came in early was part of the leadership  
01:04:05 --> 01:04:06: team.  
01:04:06 --> 01:04:09: And she is. She protects the house,  
01:04:09 --> 01:04:13: and she's flexible that she's smart and she thinks.  
01:04:13 --> 01:04:16: And that's really what you want.  
01:04:16 --> 01:04:20: Right, thank you everyone. There's still questions coming in,  
01:04:20 --> 01:04:22: but it's 412, so I think I'm gonna wrap it  
01:04:22 --> 01:04:22: up.  
01:04:22 --> 01:04:26: I wanted to thank everyone for being part of this  
01:04:26 --> 01:04:26: discussion,  
01:04:26 --> 01:04:29: specially Leslie, Suzanne, Jeff and Brandon.  
01:04:29 --> 01:04:33: Thanks for walking us through the process and this  
phenomenon  
01:04:33 --> 01:04:34: transaction.  
01:04:34 --> 01:04:36: Thank you, I'm going to.  
01:04:36 --> 01:04:39: Thank you, thank you.

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