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
00:01:28 --> 00:01:30: Management and Fannie Mae.
00:01:30 --> 00:01:34: This closed during one of the most unprecedented times in
00:01:34 --> 00:01:38: the economy and COVID-19 Sudden Management 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 drill state portfolio.

00:03:51 --> 00:03:57: Suzanne overseas. All aspects of Southerns 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 dust 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 companies 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 southerness 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 southerns 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 prepared a
00:17:09 --> 00:17:12: list of questions that we were going to ask.
00:17:12 --> 00:17:15: Each of the firms when they came in.
00:17:15 --> 00:17:18: So what we are observing at our first meeting was
00:17:18 --> 00:17:20: really how are people thinking?
00:17:20 --> 00:17:24: Were they thinking creatively? Were they thinking flexibly?
00:17:24 --> 00:17:26: And also did they do their homework?
00:17:26 --> 00:17:29: They had all the information.
00:17:29 --> 00:17:31: A few things that popped out to us that was
00:17:31 --> 00:17:35: interesting and this is one of my favorite stories.
00:17:35 --> 00:17:38: One of the firms actually physically went to all 67
00:17:38 --> 00:17:42: properties prior to coming in to the meeting.
00:17:42 --> 00:17:45: That was a that was a huge commitment and also
00:17:45 --> 00:17:47: was just it was.
00:17:47 --> 00:17:50: It was just a great way to show people that
00:17:50 --> 00:17:52: you're interested.
00:17:52 --> 00:17:55: The and then there were a few teams that actually
00:17:55 --> 00:17:57: with the underwriting they came in.
00:17:57 --> 00:18:00: They had already started the underwriting process and were sharing
00:18:00 --> 00:18:02: with us what they thought.
00:18:02 --> 00:18:04: Some of the solutions would be from the financing,
00:18:04 --> 00:18:08: so that was really impressive as well.
00:18:08 --> 00:18:12: After the meeting we internally gathered and we went through
00:18:12 --> 00:18:15: all the questions we put him on grid and we
00:18:15 --> 00:18:19: went through all the questions and ended up eliminating two
00:18:19 --> 00:18:22: of the groups based on the results of the grid
00:18:22 --> 00:18:25: 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 that
00:19:05 --> 00:19:07: was a high priority for them.
00:19:07 --> 00:19:10: But when we went through the composite ranking,
00:19:10 --> 00:19:13: that priority actually ended up being at the bottom of
00:19:14 --> 00:19:14: the list,
00:19:14 --> 00:19:16: so it was pretty exciting.
00:19:16 --> 00:19:20: That's kind of nori, but from the consulting standpoint 'cause
00:19:20 --> 00:19:24: what we were showing is this methodical process was working
00:19:24 --> 00:19:28: and we're really tuning into what was critical in the
00:19:28 --> 00:19:30: transaction.
00:19:30 --> 00:19:32: So once we have those priorities,
00:19:32 --> 00:19:36: we actually shared them with the three groups that were
00:19:36 --> 00:19:37: going to come in.
00:19:37 --> 00:19:39: We also expressed to them.
00:19:39 --> 00:19:42: At that point, we felt that the Fannie Mae credit
00:19:42 --> 00:19:45: facility it was feeling like that was going to be
00:19:45 --> 00:19:47: a good fit for what we needed.
00:19:47 --> 00:19:50: But, and so we told the groups we wanted to
00:19:50 --> 00:19:52: dig into that deeper.
00:19:52 --> 00:19:53: But we also told him,
00:19:53 --> 00:19:57: you know that we definitely still wanted to explore the
00:19:57 --> 00:19:58: other options,
00:19:58 --> 00:20:02: and particularly I would say the offredi dancing.
00:20:02 --> 00:20:04: So the second meeting came around,
00:20:04 --> 00:20:08: three groups came in. They were allowed to bring whoever
00:20:08 --> 00:20:11: they want it and they all wisely brought in all
00:20:11 --> 00:20:14: 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 authority
00:21:11 --> 00:21:15: and so the approval process is just it's it's easier,
00:21:15 --> 00:21:19: alot of times and I'm not going to say 'cause.
00:21:19 --> 00:21:22: I don't want Freddy or you know fan if they're
00:21:22 --> 00:21:27: both excellent lenders and and actually what was really impressive
00:21:27 --> 00:21:31: to us is Freddie knowing this they actually came back
00:21:31 --> 00:21:35: to us and had customized a solution to deal with
00:21:35 --> 00:21:37: that servicing issue.
00:21:37 --> 00:21:41: That we had, that was very impressive.
00:21:41 --> 00:21:44: So we go through the 2nd meetings and then between
00:21:44 --> 00:21:48: the second and third meetings we actually asked everybody to
00:21:48 --> 00:21:51: provide references and we and we really called them so
00:21:51 --> 00:21:54: if anybody ever asked you for reference,
00:21:54 --> 00:21:56: make sure you get a good one and that was
00:21:56 --> 00:22:00: that was helpful because there were things that we didn't
00:22:00 --> 00:22:03: know 'cause we had not done the Fannie facility before,
00:22:03 --> 00:22:05: so it was good to.
00:22:05 --> 00:22:08: It was educational in that process for us as well.
00:22:08 --> 00:22:12: We also provided a detailed list of servicing questions so
00:22:12 --> 00:22:13: you can see the theme here.
00:22:13 --> 00:22:16: The servicing was very important.

00:22:16 --> 00:22:20: Each meeting we really were talking about that at some
00:22:20 --> 00:22:20: point.
00:22:20 --> 00:22:25: So the third meeting came and the remaining questions were
00:22:25 --> 00:22:25: asked in.
00:22:25 --> 00:22:29: The final pitches were made from the team and the
00:22:29 --> 00:22:33: decision was very difficult because no offense Brendan,
00:22:33 --> 00:22:37: but it was difficult. Everybody was impressive and we felt
00:22:37 --> 00:22:41: that everybody actually could handle the transaction.
00:22:41 --> 00:22:46: But we ultimately ended up picking Walker and Dunlop Brandon
00:22:46 --> 00:22:47: he's on here.
00:22:47 --> 00:22:50: He's just has more energy than really,
00:22:50 --> 00:22:53: almost anyone. So he did a phenomenal job and was
00:22:53 --> 00:22:54: there,
00:22:54 --> 00:22:57: you know, you call on the phone and he's there
00:22:57 --> 00:22:58: in a minute.
00:22:58 --> 00:23:02: And um, so anyways, the process took about 2 1/2
00:23:02 --> 00:23:05: months but it was worth it for him at the
00:23:05 --> 00:23:06: tenure of this deal,
00:23:06 --> 00:23:10: I think we really needed to do that and we
00:23:10 --> 00:23:14: ended up with a phenomenal loan and two great new
00:23:14 --> 00:23:15: relationships.
00:23:15 --> 00:23:18: So in conjunction with this process Southern at the same
00:23:19 --> 00:23:22: time was selecting the title company that was going to
00:23:22 --> 00:23:23: do the business.
00:23:23 --> 00:23:26: Same competitive, same competitive process.
00:23:26 --> 00:23:28: So under the original RFP,
00:23:28 --> 00:23:31: Southern ask the title companies to compete separately,
00:23:31 --> 00:23:36: including Charlotte Troop Latent of Chicago title the incumbent and
00:23:36 --> 00:23:40: Candace Chason with Fidelity National their sister company.
00:23:40 --> 00:23:42: Although both could have been this separately,
00:23:42 --> 00:23:45: they felt they would get the best result if they
00:23:45 --> 00:23:46: teamed up together.
00:23:46 --> 00:23:50: So they asked other management if they could do that
00:23:50 --> 00:23:50: and they did,
00:23:50 --> 00:23:53: and they came up with an extremely creative solution,
00:23:53 --> 00:23:57: awesome structure, and they won the business.
00:23:57 --> 00:24:01: So that's kind of the brief 2 1/2 month history
00:24:01 --> 00:24:03: of teeing the deal up.
00:24:03 --> 00:24:07: And I just had a few really simple takeaways.
00:24:07 --> 00:24:11: Listen, ask and think outside of the box.

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 was,
00:24:29 --> 00:24:32: I think I'm even more grateful today that we were
00:24:32 --> 00:24:33: selected.
00:24:33 --> 00:24:35: Then I was at the time that I could tell
00:24:35 --> 00:24:35: you.
00:24:35 --> 00:24:38: From my perspective, it felt like we were going through
00:24:38 --> 00:24:39: American Idol,
00:24:39 --> 00:24:42: apartment lender or something. But it was thorough to say
00:24:42 --> 00:24:43: the least.
00:24:43 --> 00:24:45: And I was honored to even be invited.
00:24:45 --> 00:24:47: We were not one of the existing relationships,
00:24:47 --> 00:24:49: so I can say it now.
00:24:49 --> 00:24:51: I was surprised that we won going into it.
00:24:51 --> 00:24:53: We thought we were long shot,
00:24:53 --> 00:24:55: but I think that really helped.
00:24:55 --> 00:24:57: The way we went through the process for me,
00:24:57 --> 00:24:59: it was an honor just to be in the room
00:24:59 --> 00:25:01: growing up in this area.
00:25:01 --> 00:25:04: I've always known southern management and unfortunately didn't have the
00:25:04 --> 00:25:06: opportunity to work with them,
00:25:06 --> 00:25:08: so I think we went in with the idea that
00:25:08 --> 00:25:09: if nothing else,
00:25:09 --> 00:25:11: we could be a great consultant to you.
00:25:11 --> 00:25:13: Give you a lot of information,
00:25:13 --> 00:25:16: you know, give you information of what's really possible in
00:25:16 --> 00:25:19: the market to get the best execution for whatever firm
00:25:19 --> 00:25:20: you ultimately chose.
00:25:20 --> 00:25:24: Because you know Suzanne SMC isn't in an elite class,
00:25:24 --> 00:25:26: and I think I remember on one of our first
00:25:26 --> 00:25:27: meetings.
00:25:27 --> 00:25:30: I said you've got a portfolio of such scale that
00:25:30 --> 00:25:33: really your portfolio should be driving your debt,
00:25:33 --> 00:25:36: 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 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 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 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 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 Treasurys 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: Treasurys 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 Treasurys
00:34:03 --> 00:34:04: dropped,
00:34:04 --> 00:34:05: but everybody kept their cool.
00:34:05 --> 00:34:08: Andrew and the team at Chatham pulled off an excellent
00:34:08 --> 00:34:09: deal,
00:34:09 --> 00:34:12: but that's just another interesting part of this.
00:34:12 --> 00:34:14: And then I would be remiss if I didn't say
00:34:14 --> 00:34:15: the last six weeks.
00:34:15 --> 00:34:17: Everybody who's working from home.
00:34:17 --> 00:34:20: Everybody's children were sent home from school.
00:34:20 --> 00:34:21: Nobody knew what was going on,
00:34:21 --> 00:34:24: but we just kept our nose to the grindstone and
00:34:24 --> 00:34:25: were somehow able to pull it off.
00:34:25 --> 00:34:28: And you brought up the title company.
00:34:28 --> 00:34:30: They just did a terrific job.
00:34:30 --> 00:34:32: They were trying to figure out how you close and
00:34:32 --> 00:34:36: the fees and replace collaterals and amend and restate when
00:34:36 --> 00:34:39: courthouses across the country in the area were closed.
00:34:39 --> 00:34:41: We weren't even sure how we could close a deal.
00:34:41 --> 00:34:44: Let's let's record the the loan documents so it took
00:34:44 --> 00:34:46: a lot of coordination.
00:34:46 --> 00:34:48: The deal team slide you went through.
00:34:48 --> 00:34:50: We could maybe flip to it.
00:34:50 --> 00:34:52: We're probably leaving, you know,
00:34:52 --> 00:34:54: another third of the people out of it.
00:34:54 --> 00:34:56: The slides would have been too long,
00:34:56 --> 00:34:59: but it just goes to show you how much more
00:34:59 --> 00:35:01: coordination went in there,
00:35:01 --> 00:35:04: and I'm just again after hearing that process from your
00:35:04 --> 00:35:04: side.
00:35:04 --> 00:35:07: Leslie, I'm extremely grateful we were able to be a
00:35:07 --> 00:35:08: part of it,
00:35:08 --> 00:35:11: and I think it was an amazing deal considering that's
00:35:11 --> 00:35:13: great brand and one of the things I think it's
00:35:13 --> 00:35:16: interesting that I just want to say in the beginning
00:35:16 --> 00:35:19: you said you didn't even think you had a chance
00:35:19 --> 00:35:20: to win the deal and.
00:35:20 --> 00:35:24: I think actually several of the groups that came in
00:35:24 --> 00:35:27: felt that same way that this was just a posturing
00:35:27 --> 00:35:31: 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 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 tide 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 looked like Treasuries
00:44:31 --> 00:44:33: 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 Southerns 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 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 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 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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