

Miramar - Santurce Arts District Redevelopment | San Juan, Puerto Rico

\$6.2M SR. DEBT REQUEST (33% LTC)



- **TO FUND \$18.8M IN PROJECT COSTS**
- **RENOVATION OF 24 BLIGHTED BUILDINGS**
- **200,000 SF COMMERCIAL SPACE**
- **52 AFFORDABLE HOUSING UNITS**
- **132 TRANSIENT OCCUPANCY UNITS**

Interested parties please contact:



CBO FINANCIAL

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Executive Summary

PROJECT: The Miramar - Santurce Arts District Redevelopment project includes renovation of 24 blighted buildings into 46 commercial spaces totaling 200,000 sf and 184 residential units, 52 of which are designated as long-term affordable housing rentals, and 132 transient occupancy units for business travelers and tourists to be marketed through Airbnb.com, VRBO.com and similar sites.

SEEKING: \$6.2M in senior debt as part of a capital stack that is anticipated to include Historic Tax Credits, Puerto Rico Tourism Tax Credits, and New Markets Tax Credits.

SPONSOR: The project sponsors, Ivan Zavala and Pedro Sepulveda, co-founded Reality Realty in 1996, which has since grown to be the largest real estate brokerage on Puerto Rico with over 100 highly trained and specialized agents that provide comprehensive services to buyers and sellers of residential and commercial real estate from three strategically located branches in Caguas, Santurce and Cupey. The project sponsors will also serve as the developers/contractors for the project and will serve as property managers.

SITE: The project includes sites located near and on Cerra Street in Santurce. Four census tracts are involved: 72127002002, 72127002100, 72127004200, 72127001900. 24 of the 26 sites are located in the NMTC Severely Distressed census tracts with an average poverty rate of 48.1% and an average unemployment rate of 14.1%.

BENEFITS: Expanding tourism has been identified by the Puerto Rican government as a top priority for stimulating economic growth. The Miramar - Santurce Arts District is one of San Juan’s most exciting areas that until the 1970s was the island’s center of culture and wealth. Since then several decades of decline have left it pervasively blighted, until construction of new arts facilities turned the tide; this project will dramatically accelerate Miramar - Santurce’s return to being a source of pride. The project is expected to create 220 temporary construction jobs and 120 permanent, full time jobs once operations commence.

STATUS: 20 of the 26 properties involved (24 buildings and 2 parking lots) are already owned by the project sponsors, the others are under contract or will be soon after indication of interest from a lender. Building permits are in place or in process for most of the structures and construction can start immediately upon funding. The Puerto Rico Tourism Tax credit has been applied for, which provides 30% of project costs paid out over three years.

SOURCES & USES OF FUNDS:

A term sheet for the “New debt” of \$6.186M has been received from the Economic Development Bank for Puerto Rico, a copy of which is in the appendix. Below are anticipated sources & uses of funds:

Santurce Arts Districti Renovation Project NMTC Sources & Uses of Funds					
Sources			Uses		
New debt	27.5%	\$ 6,186,459	Property acquisition	26.6%	\$ 5,999,728
PR Tourism Tax Credit	20.9%	4,711,378	Construction (100% renovation)	50.9%	11,469,450
Sponsor equity	11.1%	2,500,000	Contingency - 15% of construction	6.1%	1,376,334
Historic Tax Credit Equity	6.5%	1,468,090	Subtotal project cost	83.7%	18,845,512
New Markets Tax Credit Equity	34.0%	7,658,205	Legal & accounting	1.3%	300,000
			NMTC, lender and other fees	15.0%	3,378,620
Total sources	100.0%	22,524,132	Total Uses	100.0%	22,524,132

For additional information, please contact: James Badgley, CBO Financial
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A full financing request packet is available at: <https://1drv.ms/b/s!AsVSUXkA6d83hulf5Yd97KrvuxZwIQ>