

WESTERN REAL ESTATE BUSINESS®

Connecting Real Estate in the West



The Velocity showroom will feature exotic automotive and motorcycle brands like Ferrari, Maserati, Bentley, Lamborghini and Lotus when Symphony Honolulu debuts at 888 Kapiolani Blvd. early next year.

HIGH-END CAR SHOWROOMS REV THEIR ENGINES AT SELECT RETAIL ESTABLISHMENTS

Luxury shopping takes on a whole new meaning now that high-end and exotic car showrooms are penetrating some of the West's ritziest retail and mixed-use projects.

By Nellie Day

A Burberry coat, Tiffany & Co. diamond necklace and...a Model S Tesla? Though the latter might be difficult to fit in a gift bag, many of today's high-end automotive makers are pairing with shopping centers and mixed-use projects of equal caliber to create the ultimate luxury shopping experience. The benefits for both the car showrooms and retail centers are obvious: this relationship allows each

party to expand their reach by expanding their offerings.

The convenience can be advantageous for the consumer as well. Mr. Moneybags might have walked into Brooks Brothers thinking he was only visiting the center for a new suit, but now — come to think of it — he would like to see one of those premium electric vehicles in person...

see *LUXURY*, page 37

THE ADVANTAGES OF SBA 504 FINANCING FOR HOTEL PROPERTIES

There are many misconceptions among hoteliers in regards to the qualifications for the U.S. SBA commercial real estate loan program. When understood, however, this program can do wonders for hospitality investors.

By Barbara Morrison



TMC recently financed the 143-room Rush Creek Lodge in Tuolumne County, Calif. — the first new resort to be constructed in the Yosemite National Park area in more than 25 years.

Demand growth, favorable economics, record-setting occupancy rates, RevPAR (revenue per available room) and other key hotel performance metrics have made this an opportune time for hotel owners to expand their portfolios. In fact, 61 percent of the owners who attended this year's Hunter Hotel Investment Conference said they wanted to develop another hotel this year, according to Bob Hunter, the confer-

ence's founder and co-chair.

Many hotel owners don't realize the advantages the U.S. Small Business Administration (SBA) 504 commercial real estate loan program offers to hoteliers looking to buy, build or renovate properties. A typical loan structure is a first mortgage from a commercial bank for up to 50 percent of the total project cost; an SBA 504 second mortgage of up to 35 percent;

see *SBA*, page 38

INSIDE THIS ISSUE



Auto parts stores: the alternative single-tenant investment.

page 33

Phoenix
Market Highlight
page 19

Las Vegas
Market Highlight
page 24

Construction Industry
Standouts
page 31

THE ADVANTAGES OF SBA 504 FINANCING FOR HOTEL PROPERTIES

SBA from page 1

and at least 15 percent down from the hotel owner.

Other features of the SBA 504 loan include:

- No limit on total project cost
- No limit on number of loans (when energy efficiencies are met)
- Below-market, fixed interest rates, amortized over 20 years
- Down payments as low as 15 percent
- Franchised and independent hotels allowed to qualify
- Funds can be used for:
 - purchase, expansion, renovation
 - construction, including land
 - FF&E (furniture, fixtures and equipment), PIP (property improvement plans) and soft costs

Unlike SBA 7(a) financing that maxes out at \$5 million, the 504 program does not have a maximum total project cost. TMC recently financed the 143-room Rush Creek Lodge in Tuolumne County, California — the first new resort to be constructed in the Yosemite National Park area in more than 25 years. The \$30-plus million lodge is an outstanding project that will be built from the ground up. It will set a new standard when it opens in 2016, just in time to celebrate the 100th anniversary of the National Park Service.

“There were so many reasons for the banks to say no,” says Lee Zimmerman, one of Rush Creek’s owners.



This contemporary mountain resort spans a 20-acre hillside setting. It will include 143 lodge rooms, suites and villas, plus dining, retail, recreation and meeting facilities when it opens in 2016.

“Non-flagged, ground-up construction in a remote area, needing all its own infrastructure, coming out of the economic recession and after the Rim Fire. Without the SBA piece, we couldn’t have gotten this done. Banks would not have been comfortable financing this deal [without the SBA 504 second mortgage].”

Rush Creek is First Light Hospitality’s second SBA 504 deal, which brings up another misconception some hoteliers have — that they’ve maxed out their SBA loan eligibility.

Under recent regulations, there is no limit to the number of projects you can finance through the SBA when energy efficiencies are implemented. Most owners in California and Nevada choose to add a solar component to the property to meet these requirements, but there are other options, too.

Hotelier Shailendra “Sam” Devdharma owns more than a dozen franchised hotels in the San Francisco Bay Area and leverages the energy-efficiency component of the SBA 504 program for multiple properties. He recently

renovated a newly purchased Quality Inn franchise location that was underperforming where he was able to add solar panels.

“Because the SBA 504 program is available, independent hotel owners can get into the business with a smaller outlay of capital,” Devdharma says. “That allows us to make improvements on older properties and upgrade a community’s accommodation offerings.”

The story is similar further down the coast in Carmel, where an independent bed and breakfast owner recently bought his second historic inn in Monterey County. He, too, relies on his customer experience expertise to increase performance on sagging properties. The hotelier says the SBA 504 loan’s low upfront cost allows him to put his cash to work making improvements.

This flexibility is what makes the SBA 504 program so attractive for hotel projects right now. Hotel owners can put together a competitive, customized financing package to take advantage of today’s hot market.



Morrison

Barbara Morrison, Founder & CEO, TMC Financing in San Francisco



Rush Creek’s general store will provide provisions for guests on their way to the park, along with other supplies and a full-service guided recreation program.