

Mortgage Loan No. 10 — San Diego HHSA Building



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Mortgage Loan Information

Mortgage Loan Seller:	JLC
Original Principal Balance:	\$22,400,000
Cut-off Date Principal Balance:	\$22,292,174
% of Pool by IPB:	2.4%
Loan Purpose:	Refinance
Borrower:	MDA Mission Two, LLC
Sponsor:	Michael D. Abrams
Interest Rate:	4.6040%
Note Date:	9/14/2015
Maturity Date:	10/6/2025
Interest-only Period:	0 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(28),YM1(88),O(4)
Lockbox:	Hard
Additional Debt:	No
Additional Debt Balance:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Office – Suburban
Net Rentable Area (SF):	111,285
Location:	Escondido, CA
Year Built / Renovated:	1977 / 2015
Occupancy:	95.7%
Occupancy Date:	9/1/2015
Number of Tenants:	4
2012 NOI⁽¹⁾:	N/A
2013 NOI⁽¹⁾:	N/A
2014 NOI⁽¹⁾:	N/A
TTM NOI⁽¹⁾:	N/A
UW Economic Occupancy:	94.1%
UW Revenues:	\$3,087,494
UW Expenses:	\$777,629
UW NOI:	\$2,309,865
UW NCF:	\$2,162,969
Appraised Value / Per SF:	\$31,300,000 / \$281
Appraisal Date:	6/22/2015

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$64,520	\$9,218	N/A
Insurance:	\$9,010	\$3,100	N/A
Replacement Reserves:	\$0	\$2,318	N/A
TI/LC:	\$65,000	\$1,357	N/A

Financial Information

Cut-off Date Loan / SF:	\$200
Maturity Date Loan / SF:	\$163
Cut-off Date LTV:	71.2%
Maturity Date LTV:	58.1%
UW NCF DSCR:	1.57x
UW NOI Debt Yield:	10.4%

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan	\$22,400,000	97.7%
Sponsor Equity	538,140	2.3
Total Sources	\$22,938,140	100.0%

Uses	Proceeds	% of Total
Payoff Existing Debt	\$22,414,558	97.7%
Upfront Reserves	138,530	0.6
Closing Costs	385,052	1.7
Total Uses	\$22,938,140	100.0%

- (1) The property was acquired by the sponsor in 2014 and subsequently underwent a full renovation and redevelopment which was completed in 2015. Therefore, historical cash flows were not available.

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The Loan. The San Diego HHSA Building loan is a \$22.4 million first mortgage loan secured by the fee interest in a 111,285 SF office property with retail space, consisting of two buildings located in Escondido, California. The loan has a 10-year term and will amortize on a 30-year schedule.

The Borrower. The borrowing entity for the loan is MDA Mission Two, LLC, a Delaware limited liability company and special purpose entity.

The Sponsor. The loan's sponsor and non-recourse carve-out guarantor is Michael D. Abrams. Since 1982, Michael D. Abrams has developed 71 commercial properties in California with both Diamond Development and Park/Abrams Development Company. Currently Mr. Abrams owns five office and retail properties located in Southern California with a combined market value of approximately \$85.1 million.

The Property. The property is an 111,285 SF of office property with retail located in Escondido, California. The property was originally constructed in 1977 but upon the sponsor's acquisition in 2014, underwent a full renovation and redevelopment which was completed in 2015. The improvements consist of a single-story multi-tenant building totaling 102,510 SF and a retail pad building totaling 8,775 SF located on a 9.7 acre parcel directly off of the heavily trafficked West Mission Avenue.

As of September 2015, the property was 95.7% leased by four tenants. The largest tenant at the property, San Diego Health and Human Services Administration ("HHSA"), leases 95,000 SF of office space (85.4% of the net rentable area) through June 2025 with three, five-year extension options remaining. HHSA is a division of the San Diego County government that provides health and social services to promote wellness, self-sufficiency and a better quality of life for individuals and families in San Diego County. San Diego County has provided health services in Escondido at several other locations but recently consolidated into the subject property. Approximately seven HHSA programs are expected to be located at the property with an anticipated 400 employees.

The second largest tenant at the property, Good Nutrition, leases 4,500 SF of retail space (4.0% of the net rentable area) through June 2018 with one, two-year option remaining. Good Nutrition is a specialized nutritional store that is one of six stores in San Diego County that specializes in the state-sponsored Women Infants and Children ("WIC") program. Good Nutrition carries fresh fruits and vegetables, certified Gerber baby foods, WIC certified dry cereals and WIC certified juices.

The third largest tenant at the property, Steak n' Shake, leases 4,000 SF of retail space in the pad building (3.6% of the net rentable area) pursuant to a 10-year lease with two, five-year extension options. Steak N Shake is a wholly owned subsidiary of Biglari Holdings Inc. and is generally concentrated in the Midwest and Atlantic states but also has footprints in California, Arizona, Utah, Montana, Colorado and Texas. No other tenant represents more than 2.7% of net rentable area. Steak n' Shake is not yet in occupancy as the lease was executed on September 11, 2015, and they are in the process of obtaining a conditional use permit ("CUP") to operate a drive-thru at the property and other required construction/operation permits from the City of Escondido. Steak n' Shake has until February 8, 2016 to obtain the CUP, at which time, if the CUP has not been obtained, the borrower may extend the CUP contingency expiration date for up to five additional 30 day periods. In the event the CUP has not been obtained by February 8, 2016 (or the end of the extension period), the tenant has the right to terminate the lease. Contemporaneously, Steak 'n Shake has 90 days following borrower's approval of the tenant's plans for the premises to obtain all necessary permits for construction and operation of the premises, after which the tenant may terminate the lease if the required permits have not been issued. After expiration of both the CUP and other permit contingency periods, the borrower will have an additional 120 days within which to complete landlord's required work under the lease and deliver the premises to the tenant. The term of the lease runs for 10 years following the rent commencement date, which is the earlier of (i) 150 days after the later of the date the tenant obtains the tenant permits or the borrower has completed its work at the property and (ii) the date tenant opens for business. It is estimated that the tenant will take occupancy by June 2016, assuming the CUP and other permits are timely granted by the City of Escondido; provided, however, that the 10-year term of the lease and rent commencement may not occur until late 2016 or early 2017 given the deadlines and grace periods discussed above.

The Market. The property is located at the intersection of Centre City Parkway and Mission Avenue in Escondido, California, approximately 29 miles north of the San Diego CBD. The property benefits from visibility and access along Mission Avenue, which per the City of Escondido has an estimated traffic count of 27,900 vehicles per day. The property's immediate area is a mixture of commercial and residential developments. Per the appraiser, the current retail and office vacancy rates within the property's

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trade area are equal to 5.4% and 5.8%, respectively. The appraiser concluded rental rates of \$23.40 PSF modified gross for the office space, \$27.00 PSF NNN for the inline retail and \$33.00-\$39.00 PSF NNN for the pad retail.

Historical and Current Occupancy⁽¹⁾

2012	2013	2014	Current ⁽²⁾
N/A	N/A	N/A	95.7%

(1) The property was acquired by the sponsor in 2014 and subsequently underwent a full renovation and redevelopment which was completed in 2015. Therefore, historical occupancies are not available.

(2) Based on the underwritten rent roll.

Tenant Summary⁽¹⁾

Tenant	Ratings Moody's/S&P/Fitch ⁽²⁾	Net Rentable Area (SF)	% of Total NRA	Base Rent PSF	Lease Expiration Date
San Diego Health and Human Services Administration	Aaa / AAA / AAA	95,000	85.4%	\$26.88	6/18/2025
Good Nutrition	NA / NA / NA	4,500	4.0%	\$14.83	6/3/2018
Steak n' Shake	NA / NA / NA	4,000	3.6%	\$39.00	8/31/2026
WIC North County Office	NA / NA / NA	3,010	2.7%	\$16.15	10/31/2019

(1) Based on the underwritten rent roll.

(2) Ratings provided are for the parent company of the entity listed in the "Tenant" field whether or not the parent company guarantees the lease.

Lease Rollover Schedule⁽¹⁾

Year	Number of Leases Expiring	NRA Expiring	% of NRA Expiring	UW Base Rent Expiring	% of UW Base Rent Expiring	Cumulative NRA Expiring	Cumulative % of NRA Expiring	Cumulative UW Base Rent Expiring	Cumulative % of UW Base Rent Expiring
Vacant	NAP	4,775	4.3%	NAP	NAP	4,775	4.3%	NAP	NAP
2016	0	0	0.0	\$0	0.0%	4,775	4.3%	\$0	0.0%
2017	0	0	0.0	0	0.0	4,775	4.3%	\$0	0.0%
2018	1	4,500	4.0	66,744	2.4	9,275	8.3%	\$66,744	2.4%
2019	1	3,010	2.7	48,600	1.7	12,285	11.0%	\$115,344	4.1%
2020	0	0	0.0	0	0.0	12,285	11.0%	\$115,344	4.1%
2021	0	0	0.0	0	0.0	12,285	11.0%	\$115,344	4.1%
2022	0	0	0.0	0	0.0	12,285	11.0%	\$115,344	4.1%
2023	0	0	0.0	0	0.0	12,285	11.0%	\$115,344	4.1%
2024	0	0	0.0	0	0.0	12,285	11.0%	\$115,344	4.1%
2025	1	95,000	85.4	2,553,936	90.4	107,285	96.4%	\$2,669,280	94.5%
2026 & Beyond	1	4,000	3.6	156,000	5.5	111,285	100.0%	\$2,825,280	100.0%
Total	4	111,285	100.0%	\$2,825,280	100.0%				

(1) Based on the underwritten rent roll.

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Operating History and Underwritten Net Cash Flow⁽¹⁾

	Underwritten	PSF	% ⁽²⁾
Rents in Place	\$2,492,400	\$22.40	76.0%
Rent Steps ⁽³⁾	1,944	0.02	0.1%
Straight-Line Rent ⁽⁴⁾	330,936	2.97	10.1%
Vacant Income	157,575	1.42	4.8%
Gross Potential Rent	\$2,982,855	\$26.80	90.9%
Total Reimbursements	\$297,375	2.67	9.1%
Net Rental Income	\$3,280,230	\$29.48	100.0%
(Vacancy/Collection Loss)	(192,736)	(1.73)	(5.9%)
Effective Gross Income	\$3,087,494	\$27.74	94.1%
Total Expenses	\$777,629	\$6.99	25.2%
Net Operating Income	\$2,309,865	\$20.76	74.8%
Total TI/LC, Capex/RR	146,896	1.32	4.8%
Net Cash Flow	\$2,162,969	\$19.44	70.1%

- (1) The property was acquired by the sponsor in 2014 and subsequently underwent a full renovation and redevelopment which was completed in 2015. Therefore, historical cash flows are not available.
- (2) % column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields
- (3) Rent Steps include rent increases occurring through November 1, 2016.
- (4) Straight-Line Rent based on the average rent for HHSA over the 10-year lease term.

Property Management. The property is managed by Diamond Commercial Properties, LLC, an affiliate of the sponsor.

Escrows and Reserves. At origination, the borrower deposited into escrow \$65,000 for outstanding tenant improvements and leasing commissions associated with the Good Nutrition space, \$64,520 for real estate taxes and \$9,010 for insurance premiums.

TI/LC Reserves – On a monthly basis, the borrower is required to escrow an amount equal to \$1,357.

Tax Escrows – On a monthly basis, the borrower is required to escrow 1/12th of the annual estimated tax payments, currently equal to \$9,218.

Insurance Escrows – On a monthly basis, the borrower is required to escrow 1/12th of the annual estimated insurance payments, currently equal to \$3,100.

Replacement Reserves – On a monthly basis, the borrower is required to escrow an amount equal to \$2,318.

Lockbox / Cash Management. The loan is structured with a hard lockbox and springing cash management. Unless a Cash Management Period (as defined below) has occurred, all amounts on deposit in the clearing account will be swept into the borrower's account. During a Cash Management Period (other than during a Cash Management Period occurring solely as a result of the occurrence of a Partial HHSA Sweep Period (defined below)), all amounts on deposit in the clearing account will be swept daily into a lender controlled account. If a Partial HHSA Sweep Period commences, \$23,750 per month will be swept into a lender controlled account and starting 12 months prior to the end of the term of the HHSA lease term (i.e. August 1, 2024) all amounts on deposit in the clearing account will be swept daily into a lender controlled account.

“Cash Management Period” means a period: (i) while an event of default exists, (ii) while the debt service coverage ratio is less than 1.05x, (iii) the continuance of a Lease Sweep Period (defined below), or (iv) the continuance of a Partial HHSA Lease Sweep Period (as defined below).

“Lease Sweep Period” means the period: (i) from the date that is 12 months prior to the end of the term of any Major Lease (defined below), (ii) commencing on the date required under a Major Lease by which the applicable Major Tenant (defined below) is required to give notice of its exercise of a renewal option thereunder (and such renewal has not been so exercised), (iii)

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commencing when any Major Lease is surrendered, cancelled or terminated prior to its then current expiration date, (iv) commencing when any Major Tenant goes dark or gives notice that it intends to discontinue its business, (v) commencing upon the occurrence of a material default under any Major Lease, or (vi) commencing upon the occurrence of a Major Tenant insolvency proceeding. A Lease Sweep Period may terminate as and when provided in the related loan documents.

“Major Lease” means: the lease with HHSA, and any lease which covers 20,000 or more of the rentable SF of the improvements.

“Major Tenant” means: any tenant under a Major Lease, or under one or more leases which when taken together would constitute a Major Lease.

“Partial HHSA Sweep Period” means the period commencing on the date that is 24 months prior to the end of the term of the HHSA lease (i.e., August 1, 2023).